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BUSINESS WEEK

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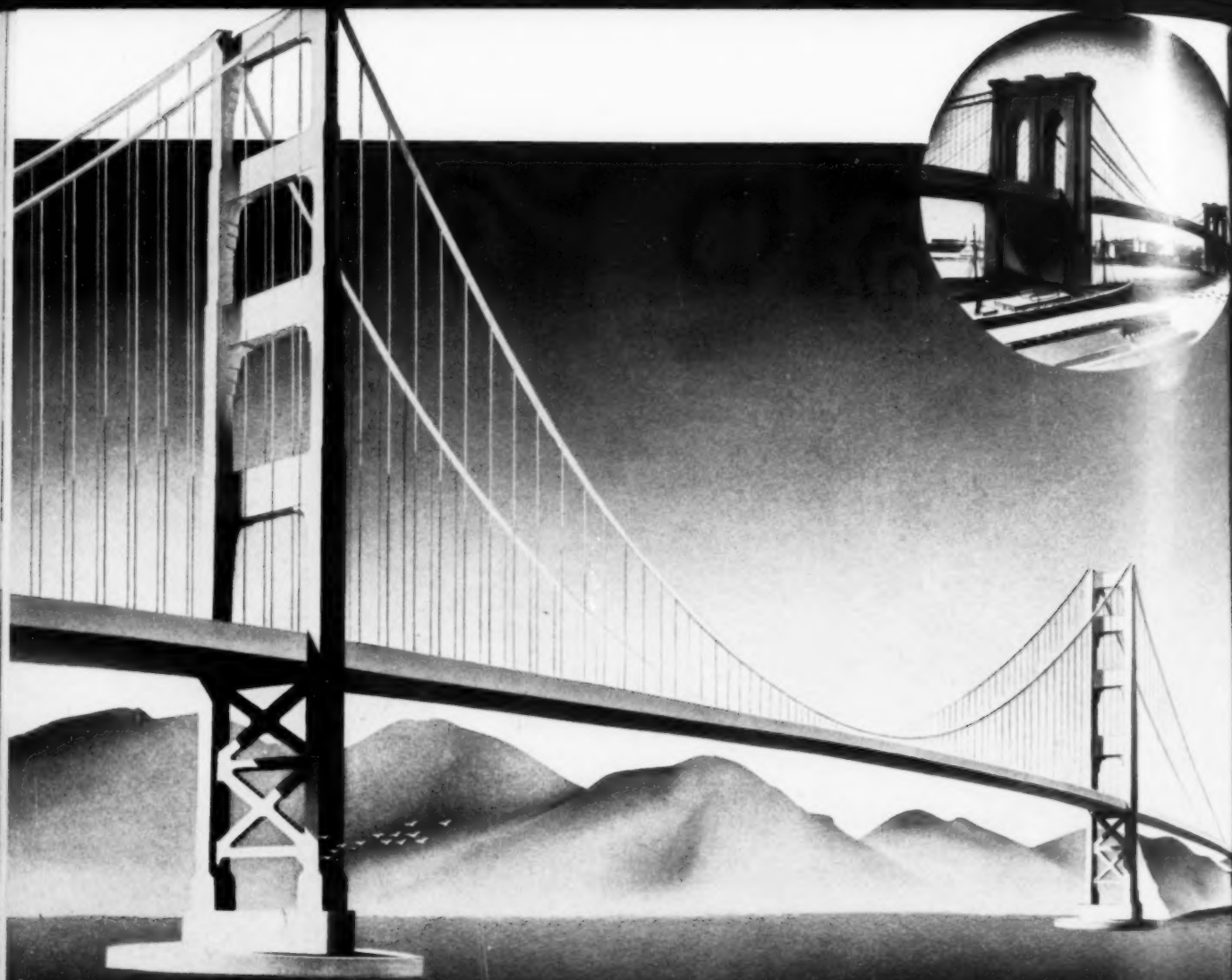
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LET THERE BE LIGHT.

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REPUBLIC STEEL SPANS THE TIDES

in America's best-known bridges

When the suspension cables of the world-famed Brooklyn Bridge were swung from the supporting towers in the late seventies, Upson bolts and bolt ends were used to hold the cables. When the Golden Gate Bridge, with its world's longest single suspension span, was erected, Republic Upson Quality bolts were used on the huge 36-inch cables.

Through their performance in world-famous structures and products, Republic steels have built unsurpassed confidence in Republic products. On the world's tallest buildings... in the world's deepest oil wells... in the plane that broke the coast-to-coast record... in championship racing cars and record-setting motor boats... in the largest American-built ocean liners... in the longest gasoline pipe lines... in America's modern streamlined trains... in products of industry and in plants of every description... Republic steels have established a record for breaking records.

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NEW BUSINESS

Citizens of the state of Georgia are beginning to get excited over the potentialities of sharp freezing and low-temperature storage in the marketing of their fruit crops. Middle Georgia peach growers have just sold 75 carloads of luscious peaches (which were picked months ago at their prime, frozen, and stored under methods developed by William R. Tucker of Atlanta) to the Connecticut distillers of "Old Georgia" peach brandy. United States Cold Storage Corp., Kansas City, is developing plans for a seven-story building for sharp freezing and fruit storage to be built on the site of the old Union Railway Station, Atlanta. Oldtimers believe that the development may encourage the planting of thousands of acres to fruits like peaches, blackberries and grapes which seem to have a bad habit of suffering depressed prices during their short ripening seasons.

Executives of the French progenitor of Pinaud, Inc., have been analyzing the American market and, contrary to much American opinion, are beginning to believe that the time is ripe to introduce a line of "ultra-precious" perfumes and toiletries which will retail from \$15 to \$25. Jacques Heilbronn, Pinaud president and director, looks forward to an upturn succeeding the recession in April or May.

Three speeches marked the annual dinner of Power Transmission Council, Dec. 2, at Hotel Roosevelt, New York: Dr. Harvey N. Davis, president of Stevens Institute, discussed "Power;" W. W. French, advertising director of Dodge Mfg. Co., "Selling Keeps the Wheels Turning;" Glenn Griswold, publisher of *Business Week*, "Industry's Future and the Nation."

Three publications offer themselves as candidates for the business library: "Training for Industry," a study of ways and means of equipping young people for industrial work, published by National Industrial Conference Board, 247 Park Ave., New York, price \$1; "The Trane Air Conditioning Manual," by William Goodman, published by Trane Co., La Crosse, Wis., price \$5 including binder; "Our Cities, Their Role in the National Economy," a report of the Urbanism Committee

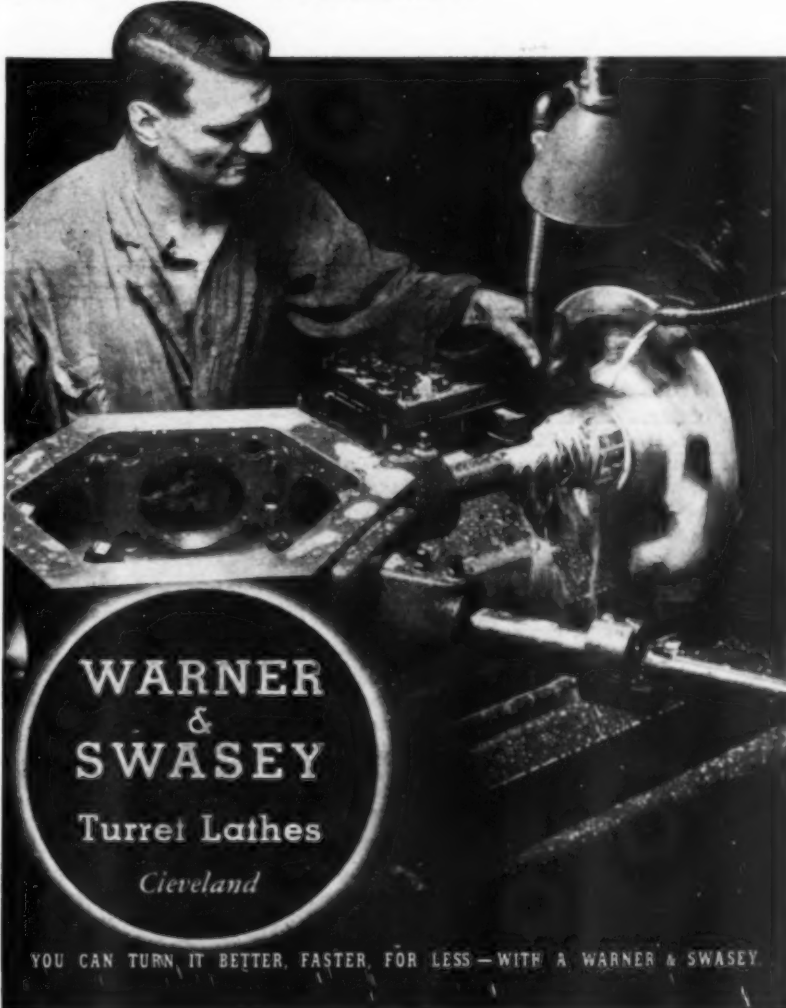
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A woman may be as old as she looks, but A machine is as old As Its Competitor

Age can be tricky. Some machine you bought only a few years ago (well within the normal average life of a machine tool) may be dangerously old today, and losing money for you every hour you run it. Only way to play safe is a frequent check of what you have versus what has since been developed.

A recent case—a manufacturer had a perfectly good lathe, turning out good work. But he replaced it with a new Warner & Swasey Turret Lathe, which is earning 145.2% annual profit on the investment!

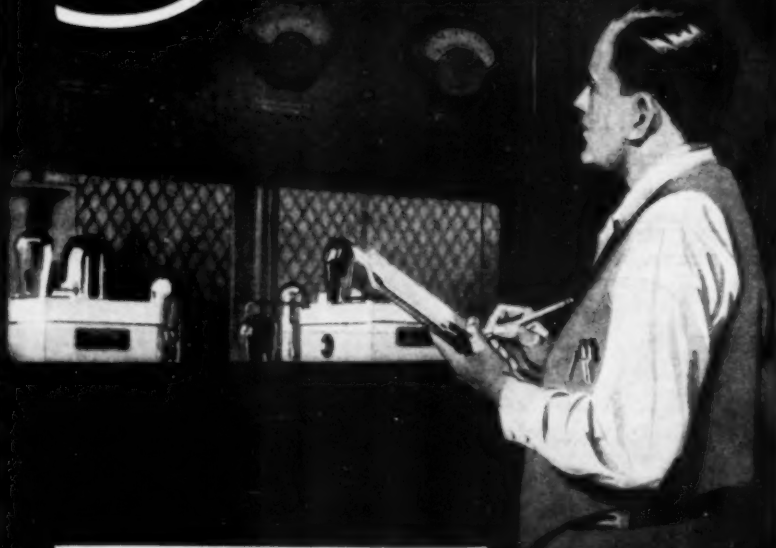
It is amazing how many plants are passing up greater profits because they think equipment is still modern. We have trained field engineers who can prove in advance what new Warner & Swaseys can save. Seeing their figures puts you under no obligation, but it may lead to investment profits like the one above. Write for complete details to



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UNDER the silent, precise control of instruments, Radio has become one of the greatest world forces for the dissemination of ideas. Control by instruments is essential to successful broadcasting. Likewise in Industry, throughout the world, Instruments by Brown shoulder responsibility for uniformity of product, and economy in production. No matter what product you manufacture, Instruments by Brown can do a job in your plant, measuring, indicating, recording or controlling, speeding up production, insuring safe operation, saving plant dollars. Brown engineers are at your call for consultation. Send for the interesting brochure, "Instruments from the Executive Viewpoint." The Brown Instrument Company, 4525 Wayne Avenue, Philadelphia, Pennsylvania.



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BRANCHES IN PRINCIPAL CITIES

to National Resources Committee, for sale by Superintendent of Documents, Washington, price 50¢.

Since people get tired of seeing the same old display, the A. & P. Co. arranged with Einson-Freeman Co., Inc., Long Island City, N. Y., to provide them with easels on which are mounted a series of four different lithographed displays, stapled together. When a store manager sees boredom creeping over customers, he tears off the topmost display like a month off the calendar.

Product diversification clicks again, as foretold in *Business Week's* special report on the subject (*BW—May 29, 1935, p.35-42*). W. T. Morris, president of American Chain & Cable Co., in announcing its forthcoming dividend payment, Dec. 15, gives credit for "gratifying improvement this year over last" to the fact that "the products manufactured by the 12 divisions of A.C. & C. Co. are so widely diversified . . . We manufacture chains, cables, valves, automotive parts, material-handling equipment, welding wire, fencing, springs, metal cutting machines, garage equipment, tire chains, and several other kinds of products."

Work will be started immediately on the first international broadcast short-wave radio transmitter west of the Mississippi River. General Electric Co. will equip the station at Belmont, Calif., with directional antennas of the latest type—directing beams to the Far East and South America.

What with copyrights and the difficulty of palming one author off for another, the book field is just about the only one where there cannot be substitution of private brands to sidestep price-fixing. Whoever wants a particular book pays a particular price, unless he becomes a member of Cooperative Book Club, 5 E. 57th St., New York, incorporated under the cooperative law of New York State. Members will pay list prices for books, but draw dividends at the end of a year. Club hopes ultimately to function after the manner of a book-of-the-month outfit, possibly publishing its own works.

Members of American Gas Association are pricking up their ears at news that Carrier Corp., Syracuse, N. Y., has made arrangements with Bryant Heater Co., Cleveland, whereby the former will handle the latter's gas-operated Silica Gel dehydration equipment under a joint and several distribution plan. Gas plants will get increased load; customers will be able to control the moisture content in air (humidity) independently of its temperature.

WASHINGTON BULLETIN

WASHINGTON (Business Week Bureau)—The President is still acting on the basis of reports from his advisers who have been out and around that business men feel the slump will not be prolonged. This fact is important, because, to the Administration, these reports mean that business is planning to go ahead in the spring and that Roosevelt can shape his plans accordingly. Reflecting this optimism, say his scouts, is the fact that a surprisingly large number of plants are going on part-time instead of shutting down but they add that a serious retarding factor is an inventory situation that, in many lines, is worse than Washington at first supposed.

Housing, the "Best Bet"

The housing program is counted on to set the stage for a moderate revival of construction fairly early in the year, even if other conditions fail to clear up. While it is not expected to show a big spurt, the Administration's business and labor experts feel that it is the President's best bet. Their study indicates that housing is the one industry that can move against depression, even if only a little.

Washington Ballyhoo

Washington dispatches are responsible for a lot of ballyhoo on what the White House is doing or planning to do to stimulate business. Sensitive to popular sentiment, Roosevelt himself is part of this cheerful conspiracy but the stuff that makes headlines lacks substance. Announcement, for instance, that the government will speed up purchase of \$245,000,000 of supplies that otherwise would be spread over the remainder of the current fiscal year could be interpreted as indicating that the President must truly believe that business is going to the dogs. To blow up such a trifle looks bad on its face. And, of course, if the government concentrates its buying now, it leaves a hole behind. Insiders are inclined to put this particular ballyhoo down as very poor psychology.

Battle of the Roads

Also regretted by some Administration officials who are in contact with Roosevelt, also with business men, is the President's demand that Congress cut down highway construction. This was peddled as a business restorative—the first actual step that the White House has taken to balance the budget.

It is slightly disturbing to wide disbelief that he will do anything of the kind but, more to the point, it runs counter to the growing hostility to the idea.

Spend or Save

Viewpoints vary within the Administration on the course to pursue. One group points to what a nice thing it would be if Roosevelt can ride out the squall without turning loose a lot of money and when it's over be able to show an improved budgetary position. The other group maintains that now is the time to spend money, particularly on work such as road-building. It argues that, whatever may be the views of business on budget-balancing in the abstract, economy now is a sour note.

Janus-Faced Congress

Congress also is of two minds. It recognizes the ultimate safety of saving but cannot ignore the immediate tonic of spending. It may partially comply with the President's request to scale down the highway program because, despite the general depression, this doesn't entail an immediate reduction in expenditures. Cutting in half a \$400,000,000 lump authorized for two years won't make much difference the first year. But individually and *en bloc*, congressmen are traipsing to the White House in an effort to prevail on the President to go easy on cutting the CCC, public works, and the multitude of less-advertised activities that siphon money into home districts.

Familiar Prescription

Administration technicians who have surveyed the field of possible business stimulants say that, lacking the spark of good feeling that would work wonders and apart from the launching of the housing program and acceptance by the White House of the tax bill that Congress is writing, there are no recovery measures that don't revert simply to heavy spending by the government.

A Play for Business?

Something to watch the White House for is a play for converts among business men by setting up in the various industries advisory groups with the dollar-a-year, early NRA spirit. The President is toying with the idea as part of a move to strengthen his political position and confound the opposition before it can register in the 1938 elections. But there's not enough evidence yet to give it full

Tax Report

The real reasons why the federal tax system now stands in the way of recovery lie far deeper than the superficial claim that taxes are too high. For instance, a fundamental problem that Congress has to deal with is that the existing tax legislation works with an unexpected twist: it "alienates the taxpayer from his business judgment."

The concrete evidence supporting these reasons, taken from the books of American industry and from the records of the Treasury—evidence of vital importance at this time—will be presented in the Dec. 11 issue of *Business Week* in a special Report to Executives (and to Congress).

weight as a prediction of what he'll do.

No Retroactive Law

Virtual decision by House and Senate leaders not to make any tax changes retroactive removes the burning need for haste, on the tax bill. But passage early in the regular session this winter is assured. Present prospects are that the President will not be able to stop Congress from emasculating the undistributed earnings tax, though it is still likely there will be a face-saving continuance of differentials in favor of corporations paying out all or most of their earnings.

Expansion Drive

Roosevelt's big fight on the tax bill now will be to prevent plant expansion from being included in exemptions from a high rate of tax. Every Congressional figure of importance wants to exempt expansion as well as replacements and betterments. They think privately this would be a loop hole for corporations to pile up surpluses and agree that such expenditures should not be exempt from the lowest rate of corporation income tax—as, for instance, replacements amounting to no more than depreciation would be. But they want to encourage business to build and expand, so as to provide employment. Even if it were frankly labeled a subsidy, they would still be for it.

Finding a Stop-Loss Figure

The President has lost all hope of continuing the undistributed earnings tax in so far as it would force out dividends sufficient to boost individual

A Card Game LOST THE BATTLE OF TRENTON*



*About midnight Dec. 25, 1776, Col. Rahl, commanding the British-hired Hessians at Trenton, N. J., sat drinking and playing cards with his aides. A messenger handed him a note. Occupied with the game, he slipped it into his pocket unread, not knowing it warned of an attack by the American army... Washington had crossed the Delaware! Rahl lost the battle, and his life. Inspired by the victory at Trenton, the Americans carried on... to win independence.

A LITTLE THING but it made a big difference

Small in size, but big in performance, Twin Disc Clutches and Power Take-Off Units are vital to the dependability, safety and long life of the machines used in excavating, road building, material handling, farming, oil well drilling and pumping, and in the machine tool industry. Their sound design, minimum number of parts, easy, positive engagement and release, easier adjustment and simpler lubrication explain the overwhelming preference of machinery users, manufacturers and designers for Twin Disc Clutches. Write for literature. Twin Disc Clutch Company, Racine, Wisconsin.



Twin Disc Power Take-Offs are designed and built to unfailingly withstand the unusually severe shock loads encountered in oil field pumping.

income taxes way up. Every calculation now being made on Capitol Hill accepts it as a premise that the changes will reduce Treasury receipts from individual income taxes. This will add to the certain loss from the present undistributed earnings tax schedule. To compensate for the latter, Congress is now sure to boost the normal corporation income tax. Sixteen per cent is the lowest figure anyone talks about as a minimum on fair-sized corporations. This minimum will probably stick, but the maximum of 20%, now being discussed, is likely to be boosted a little. The House subcommittee agreed on this figure but Sen. Harrison, chairman of the Senate Finance Committee, is already quoting former witnesses as preferring a normal corporation income tax of 22½% to a stiff undistributed earnings tax.

The Capital Gains Section

Present expectancy is that when the final tax bill is written the capital gains tax will have reverted to its former status—a flat levy separate entirely from the regular individual income tax calculation. Formerly this was 12½%. That figure may be reenacted, but the need for revenue is so great that there is always the possibility that it may be boosted a little.

Business Loans Popular

Looking for a chance to give business a lift, Congress will gladly respond to proposals that industrial machinery and equipment be included in reviving the Federal Housing Administration's modernization credit plan. Little objection from the White House is anticipated, although it will draw the line against insuring loans for household equipment. This business on which the government has been obliged to make good losses of \$12,000,000 has to a large extent been taken over by finance companies on stiffer terms.

Farm Bill—But What Kind?

While a farm bill will almost certainly pass, Sec. Wallace's program is bogging badly in the Senate, where a strong group is fighting to revamp the whole idea and may eventually turn to allotments instead of compulsory restriction. Best judgment is that the House conferees will rewrite the measure—a prospect not too satisfactory to the Department of Agriculture.

Processing Taxes, Pro and Con

From the budget standpoint the farm bill situation still looks like a rebuff to the President. There is no disposition to vote processing taxes. Wallace believes in them, even for cot-

ton. President believes in them to the extent that they would pay the cost of the farm program and not slam the door on budget balancing. But cotton state Congressmen, who are worried about that big oversupply, certainly are not inclined to add anything which might have the effect of increasing consumer resistance, while textiles naturally are fighting processing taxes tooth and nail.

No Gold Tinkering

While it would be futile to forecast what the President might do to check the slump were it to grow more and more acute, one thing is regarded as certain—he will not increase the price of gold. Such success as accompanied the advance in price from 820.67 to \$35 an ounce in 1933 was due to the fact that many other nations were on gold and were not in a position to match that move. Now that monetary policies have been modified to such an extent that all currencies are being managed such action would be matched immediately. The only beneficiaries would be the gold producers.

Wage-Hour Seesaw

Pressure by the American Federation of Labor to save the wage-hour bill, to the extent of writing its own version, will reshuffle the present lineup on Capitol Hill, may obtain passage for some compromise draft. But of course there is just no telling in advance what new groups in Congress may be alienated by whatever changes are made.

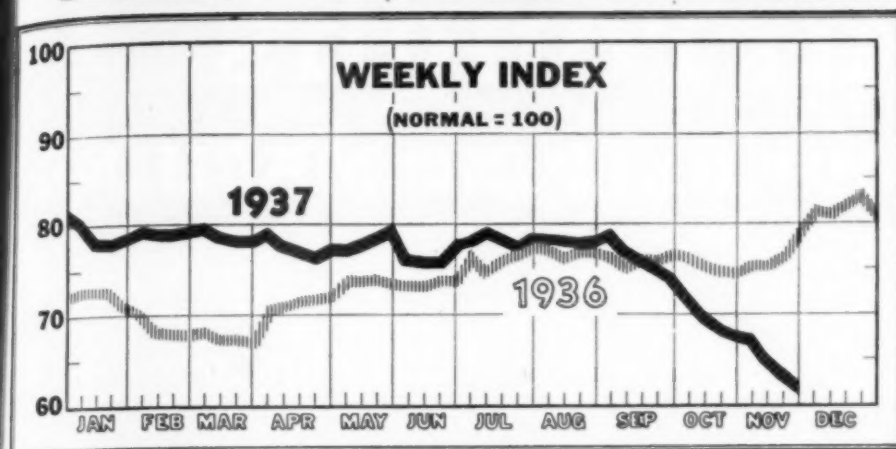
Kennedy Writes Finis

Having launched his new merchant marine subsidy program on Capitol Hill, Joseph P. Kennedy is quitting as chairman of the commission next week. And this time it's authoritative. He's going back to Bronxville for a while at least before President Roosevelt yanks him to Washington again to take on another difficult and responsible job.

Drug Bill Change

Food and drug legislation is waiting on the regular session in the House. To overtake the bill, passed by the Senate last session, which is still in the House committee, Sen. Copeland will push an amendment through the Senate embodying the recommendations made by the Food and Drug Administration in its report on sulfanilamide poisonings. Incidentally, public sentiment for a strong bill, aroused by that tragedy, is likely to be further stimulated, if Warner Brothers' plan to produce and distribute a movie, based on the Food and Drug Administration's "Chamber of Horrors", goes through without a hitch.

BUSINESS WEEK'S INDEX OF BUSINESS ACTIVITY



The Figures

Latest Week	62.8
Preceding Week	64.0
Month Ago	68.2
Year Ago	79.7
Average 1932-36	61.6

PRODUCTION

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
*Steel Ingot Operation (% of capacity).....	29.6	31.0	48.6	75.9	40.8
*Building Contracts (F. W. Dodge, 4-week daily average in thousands).....	\$8,147	\$8,093	\$8,229	\$8,645	\$6,234
Engineering Construction Awards (Eng. News-Rec., 4-wk. daily av. in thousands)	\$8,802	\$7,526	\$7,104	\$9,410	\$6,158
*Bituminous Coal (daily average, 1,000 tons).....	1,318	1,580	1,569	1,720	1,301
*Electric Power (million kw.-hr.).....	2,065	2,224	2,255	2,134	1,760

TRADE

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
Total Carloadings (daily average, 1,000 cars).....	108	115	129	132	107
*Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	70	73	80	83	68
*Check Payments (outside N. Y. City, millions).....	\$4,166	\$4,489	\$4,542	\$4,740	\$3,597
*Money in Circulation (Wednesday series, millions).....	\$6,554	\$6,534	\$6,519	\$6,429	\$5,684

PRICES (Average for the week)

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$0.94	\$0.95	\$1.02	\$1.23	\$0.93
Cotton (middling, New York, lb.).....	8.10¢	7.92¢	8.15¢	12.45¢	10.66¢
Iron and Steel (Steel, composite, ton).....	\$38.86	\$38.90	\$39.33	\$34.79	\$31.85
Copper (electrolytic, Connecticut Valley basis, lb.).....	10.700¢	10.917¢	11.775¢	10.500¢	8.410¢
Moody's Spot Commodity Price Index (Dec. 31, 1931=100).....	146.1	146.2	160.1	102.5	143.0

FINANCE

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
Bond Yields (Standard Statistics, average 45 bonds).....	5.55%	5.63%	5.16%	4.17%	5.13%
Call Loans, Renewal Rate, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	.90%
Prime Commercial Paper, 4-6 Months, N. Y. City (prevailing rate).....	1.00%	1.00%	1.00%	.75%	1.05%
Business Failures (Dun and Bradstreet, number).....	184	206	178	129	265

BANKING (Millions of dollars)

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
Total Federal Reserve Credit Outstanding (Wednesday series).....	2,596	2,590	2,570	2,457	2,432
Excess Reserves, all member banks (Wednesday series).....	1,140	1,100	1,070	2,210	1,701
Total Loans and Investments, reporting member banks.....	21,432	21,530	21,694	22,401	19,688
Commercial and Agricultural Loans, reporting member banks.....	4,683	4,738	4,780	5	5
Security Loans, reporting member banks.....	1,532	1,523	1,616	5	5
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks.....	9,066	9,099	9,066	10,425	5
Other Securities Held, reporting member banks.....	2,867	2,899	2,946	3,197	5

*Factor in Business Week Index. *Preliminary, Week Ended November 27. †Revised. ‡New Series. §Not Available.

These monthly averages are merely simple averages of each month's weekly figures of Business Week's index of business activity presented in the chart at the top of the page. They enable readers to get a general view of the trend of business since 1929.

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THE BUSINESS OUTLOOK

BUSINESS was still looking toward Washington this week for the means to end the current recession. The President's message on housing met with fairly general approval, but his suggestion that Congress curtail federal road expenditures in the interest of budget balancing met with less favor from interested parties. There is growing recognition that any Administration proposals on taxes, housing, or utilities will take time to become effective, and that immediate relief is more likely to come through inventory and price adjustments within the business arena than out of Washington.

Steel Touching Bottom?

Most prognosticators see this adjustment period extending into the first quarter of 1938, with business activity joggling along not much above the current level. This week a few straws appeared suggesting that at least in those industries where the curtailment has been most drastic, a bottom was being reached. Though steel operations slipped to slightly under 30% of capacity, there has been no change for three consecutive weeks in *Iron Age's* scrap-steel price figures for three major centers—figures which are a barometer of the steel industry. And this week, for the first time since late August, there was no softening of scrap prices in any important market. Even Moody's general index of 15 commodities firmed up a bit.

Rubber Prices Rise

Rubber markets responded to the decision of the International Rubber Regulation Committee to curtail exports in the next quarter to 70% of the basic quota figure, compared with the 90% prevailing now, and with 75% in the first quarter of 1937. Prices quickly reflected the prospects of smaller supplies and rebounded from recent lows.

Reduce Shoe Output

Shoe production has been among the heavy curtailing industries. October figures, released this week, indicate that output declined 15% from September, and nearly 28% from October of last year. Scattered reports for November reveal that last month was little if any better than October, chiefly because buyers and sellers could not agree on prices. At this week's show of the Volume Shoe Manufacturers Association, jobbers

placed some business at \$1.175 a pair to retail at \$1.98. Manufacturers say this shoe is identical in quality with the one sold a year ago at \$1.35, to retail at \$2.50.

Curtailment in Textiles

Textile plants have done some curtailing, but the threat of processing taxes, as proposed in farm bills, has prevented curtailment in sufficient degree to scare up any important buying. Now there is talk of the cotton textile industry's buckling down to some real curtailment over the next few weeks. American Woolen, leading operator in the wool field, announced that cutting of operations from 130% of capacity in June to 40% currently has necessitated suspension of preferred dividends.

Auto Production and Sales

Reluctance of motor manufacturers to buy steel this fall has disappointed the steel industry, and Chrysler's reduction of staffs by 10,000 out of 55,000, and reduction of the work week from 40 to 32 hours, doesn't speak any too well for the motor industry's appraisal of its immediate prospects. Ford, to be sure, is getting into more production, now that it has made a country-wide announcement of its two new Ford V-8s, but the volume is still small. Besides, the St. Louis plant is involved in a strike which the United Automobile Workers threaten to spread to other cities. Passenger car sales in October actually were 18% better than the year previous, but truck sales fell 2% short of a year ago. Production followed the same trend as sales in October. November results will fall well below those of a year ago.

Announce Newsprint Prices

Newsprint buyers learned this week that they could count on a price not higher than \$50 per ton for the second half of 1938. Most of the paper producers had contemplated a further boost for that half, but the move of Great Northern in recently fixing a price of \$48 for the first half of 1938, and \$50 for the second, plus the heavy stocking by consumers and the current recession, made such an advance out of the question. Production is now being cut in the newsprint field as well as in other paper divisions.

Hold Down Oil Stocks

The oil industry is making a valiant effort to hold down stock accumulation, which has been threatening its

price structure. Texas has contributed most to this program by its Sunday closing of wells; this action during the week ending Nov. 27 brought total oil output below the level recommended by the United States Bureau of Mines. Other important oil-producing states will add their weight to the curtailment program in December by reducing allowables. Efforts to get governors of oil-producing states together to discuss the oil price situation met a rebuff from Gov. Allred of Texas, on the ground of anti-trust law restrictions.

Fix Soft Coal Prices

Announcement that the Bituminous Coal Commission had established minimum prices at the mine for 80% of the country's soft coal tended to simplify the industry's price problem. Industrial buyers will be faced with higher prices than they have been accustomed to paying in the past, while domestic consumers, who absorb about a third of the industry's output, will save a few cents per ton. The new prices, scheduled to become effective on Dec. 16, are an experiment in reviving an industry whose recent history has been most unprofitable.

Railroad Earnings Comparisons

The railroads, now putting their plea for increased rates before the Interstate Commerce Commission, are finding their case strengthened by the trend of earnings over the last few months. The October returns, just totaled, indicate a 32% decline in net operating income compared with a year ago—a decline, however, which emphasizes the high returns of a year ago, when business was booming, and which tends to exaggerate the extent of recent contraction. Steel companies did not overlook the statement by Pres. Ralph Budd of the Burlington that a rate rise would encourage expenditure of \$900,000,000 a year over the next few years.

Wage-Rates in Construction

The President's reference to the high level of wage rates in the construction industry as a deterrent to building activity focused attention on this phase of the question. *Engineering News-Record's* average of actual rates paid in 20 cities throughout the country placed common labor rates in the construction industry at 67.8c per hour, a new all-time high and 24% above the 1926 average, while the skilled labor rates averaged \$1.382 per hour, 9% above the 1926 average.

Investment, \$1565

Annual Return, 121 Per Cent

EARLY in 1935, the Harris-Seybold-Potter Company, of Cleveland, Ohio, a prominent manufacturer of lithographic machinery, began a thorough study of its plant equipment. After a preliminary analysis, General Electric engineers were asked to check the findings. This checking was done, and the profitable changes that could be made were decided upon.

These changes involved the conversion of an induction motor to a synchronous motor, the installation of capacitors, and a new method of metering. The needed electric apparatus cost only \$1565. The annual savings total \$1900.

In addition, the installation of a new power-distribution system eliminated the frequent interruptions that previously occurred—interruptions that added materially to production costs.

Why not be sure that *your* plant has the *right* electric equipment, *correctly designed* and *properly applied* to the job it has to do? Our application engineers are always glad to work with you, or with your consulting engineers, to find a profitable solution of any problem for which an electrical solution is practical. Write to General Electric Company, Schenectady, N. Y.

Any reputable equipment will operate—*but* you obtain the greatest possible profit **ONLY** when the correct equipment is skillfully applied to your job.

GENERAL  ELECTRIC

011-279

DECEMBER 4, 1937

F.D.R. Seeks Spring Building Boom

Offers program which building and loan associations have hitherto blocked, and he'll follow it up with series of White House conferences.

WASHINGTON (Business Week Bureau) —President Roosevelt hopefully announced plans this week intended to provide a basis for a big revival of home building in the spring. More to the point of boosting business now is resumption of the modernization loan program that lapsed last April after rolling up a business of \$560,500,000 in three years. This still exceeds new house construction financed to date under the Federal Housing Administration's insured mortgage system.

Extension of the modernization credit plan to July 1, 1939, specifically excludes, however, insurance of loans for the purchase and installation of equipment and machinery. So far as residential property is concerned, this merely has the effect of continuing restrictions used in the last year of the modernization program's operation.

What's Eligible for Help

Plumbing, wiring, and heating systems that become additions to the property will be eligible, together with stokers, oil burners, and coal, gas, and electric furnaces when they are a permanent part of such systems. Refrigerators, washing machines, ironers, stoves, dishwashers, etc., are knocked out. A big headache resulted for FHA from the previous inclusion of such equipment. Claims paid on defaults to date total \$12,500,000. On residential property the limit on insured loans probably will be \$2,000, the same as before.

On industrial and commercial property the maximum loan will be reduced from \$50,000 to \$10,000. This is not significant, as few loans ran up to the maximum in the past. Exclusion of machinery and equipment from industrial modernization loans will, however, put a real crimp in the program.

On new housing, the Administration is following up the 1934 act, which did not go far enough to bring about residential construction of really significant proportions. Until another emergency showed up to focus attention on the lag in housing, the building and loan associations were able to block further action.

The President's message to Congress emphasizes the necessity of a reduction in the cost of labor and materials. He

hasn't been able, however, to figure out what the government can do to crack this nut without hitting its thumb, and he throws into the lap of the building industry itself the problem of cutting costs to a point where large volume, longer employment, and higher annual earnings are possible. This is bait that previously has failed to lure the building trades unions down off the perch of their high hourly wage rates, and now they indicate continued reluctance.

To put steam behind the housing drive, the President intends to keep industrial, labor, and finance executives coming to the White House for pep talks. He hopes not only to stimulate building construction but to prevent it from being stopped in its early

stages by recurrence of a price rise, to which he ascribes the slump in building this year.

The program outlined in the President's message and submitted to Congress in the Wagner-Steagall bills will be opposed by the mortgage institutions that dominate home building.

Hostile to Program

These organizations don't like the competition of mortgage money drawn out from other sources or from other communities, and they resist the progressively greater elements of risk introduced into home financing to bring home ownership within the apparent reach of millions of families who have not been able to afford it. Such home financing institutions have considerable influence in Congress, but are not likely to prevail against the first concrete bit of legislation primarily intended to stimulate business that the White House has submitted to an anxious Congress.

The broad objects of the program must be traced through a maze of amendments to the National Housing



Wide World

\$500,000,000 per Annum in the Balance

The nation's railroad this week carried their plea for a 15 per cent freight rate increase to the Interstate Commerce Commission, with J. J. Pelley (left), president of the American Association of Railroads, and Dr. Julius H. Parmelee, director of the Association's Bureau of Railway Economics, as the first witnesses. Later, as testimony dragged, the ICC intimated that short cuts would be welcome—short cuts embracing a statistical presentation on paper, instead of oral. Though in a sense rebuffed, the railroads welcomed this show of impatience. It signified that the commissioners might act quickly, and quick action—with traffic 15 per cent below last year's levels—is what the railroads want. Also at stake is a boost in passenger fares from 2¢ to 2½¢ a mile. The roads intimate that the additional revenues of \$500,000,000 a year might unleash a huge buying program running to almost \$1,000,000,000.



Wide World



Acme

Peace—At a Price

When President Roosevelt offered to make peace with the public utilities (in order to free \$1,000,000,000 of pent-up utility spending) many power company executives kept their fingers crossed. Some fingers are still crossed, but the President is getting some results in tête-à-têtes with one utility leader after another. First caller, Wendell L. Willkie (left, above), presented a compromise formula. He said Commonwealth & Southern would be willing to adopt the "prudent investment" theory of property valuation demanded by the President—for valuation of future additions to properties but not as a measure of present investments. Floyd L. Carlisle (right), who heads Consolidated Edison and the Niagara Hudson groups, pledged his companies to a building program of \$100,000,000 to \$112,000,000 for next year.

Act. It's the sort of bill that Congress passes without knowing exactly what's in it.

To make it easier to buy any house costing up to \$20,000, the over-all cost of financing will be reduced from 6½%, the present total of FHA's rates and charges, to 5½%. This will be effected by requiring the lending institution to absorb the present service charge of ¼% in the 5% interest rate, and figuring the mortgage insurance premium of ¼% on the diminishing balance of the mortgage instead of on the original face amount.

Financing Cost Cut

In order to promote the construction of low-priced homes the financing cost will be further reduced to 5¼% on homes that have an appraised value of \$6,000 or less and that are built before July 1, 1939. This is to be done by cutting the insurance premium to ¼% on the diminishing balance of the mortgage, and reducing the required down payment from 20% to 10% by increasing the insurable limit from 80 to 90% of appraised value. As an inducement to mortgage lending institutions to put out their money, the present time limitation (July 1, 1939) on the ultimate guarantee of the federal government will be removed.

One of the big obstacles encountered by FHA to attracting private capital to home building is the high cost and delay involved in foreclosure procedure required in many states. Many mortgage institutions object to raising loans to 90%, contending that, though such loans are insured and covered, in

addition, by the government's guarantee, the increased risk is not safe because of the higher incidence of foreclosure.

While the number of families that can pay down \$300 to \$500 on a house is enormously greater than those who have \$500 to \$1,000, the state foreclosure laws, says Gov. Eccles of the Federal Reserve Board, will be a determining factor in the Administration's attempt to give house construction a big start next year by extending FHA's mortgage insurance system to cover loans up to 90%. To permit lending institutions merely to assign mortgages to FHA is out of the question, according to Gov. Eccles, as they would have little interest in the quality of loan advanced or incentive to make collections. The whole thing would degenerate into traffic in FHA's debentures, the form in which the mortgage insurance is payable.

To stimulate large-scale construction of housing, several steps are contemplated: Organization of national mortgage associations, capitalized at \$50,000,000, by the RFC, with authority to issue 3% debentures, fully guaranteed as to principal and interest, up to 20 times that amount in the hope of attracting investment of \$1,000,000,000 in private capital as needed. These associations would be authorized not only to buy FHA-insured mortgages from initial lenders, but to make direct loans on large-scale properties subject to FHA supervision.

This operation would cover the financing of small apartment houses and groups of dwellings for sale or rent

by increasing FHA's insurable limit on 80% construction loans from \$16,000 to \$200,000 where the mortgage does not exceed \$1,000 per room. Provision will be made for releasing individual properties from the blanket mortgage, which, when sold, would be refinanced on the basis of an 80% mortgage if the cost is over \$6,000, 90% if under that figure.

Other Insurance Aids Proposed

To meet big-city housing requirements, the national mortgage associations also would serve limited dividend corporations that, under liberalizing amendments to the National Housing Act, would be able to obtain insurance on mortgages up to \$5,000,000, provided the loan is limited to \$1,200 a room. The limit in such construction is higher than in the case of small apartment houses as it may involve higher land cost, elevator installation, and other factors. Limited dividend companies also would be authorized to build for sale as well as rent, and could release properties from the blanket mortgage to individual purchasers in much the same way that private building contracting companies could do. To attract investor participation in limited dividend companies, the lending institution would not be required to foreclose in order to collect from FHA against the mortgage insurance payable in 3% guaranteed debentures. The mortgage would simply be assigned to FHA.

To give FHA plenty of room in which to expand if new housing construction grows with the enlarged framework of the National Housing Act, the limitation of \$2,000,000,000 on the amount of mortgages insurable under the law will apply in future to the total that is outstanding at any one time.

Fight Road Fund Cut

Congress averse to complying with Roosevelt's recommendation of less federal aid.

WASHINGTON (Business Week Bureau)—Congress received with bad humor this week the President's recommendation to spread this year's \$200,000,000 road appropriation, already authorized, over two years, and to cancel next year's authorization of a like amount. He would limit expenditures for several years to come to \$125,000,000 a year, and tie a string to them by providing that such authorizations shall not constitute an obligation on the Treasury.

The President's broadside against the federal-aid road program is the first of several steps recently announced to balance the budget by trimming road,

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public works, farm benefit, Civilian Conservation Corps, and relief expendi- tures. Mixed with this purpose is more than a little Presidential pique that under the present method of making funds available for highways, the White House can't control expendi- tures.

Congress is not likely to turn the control over at this late date. Every congressman counts on well-distributed road money to keep the pot sweet, regardless of his own luck in bringing home the bacon.

Critics' Arguments

Congress will not have to lift a hand to thwart the President's desire. Simply leaving the law as it stands will force Secretary of Agriculture Wallace to notify the states before Dec. 31 of the amount of their road allotments for the fiscal year beginning July 1 next.

Critics of the President's attempt to upset the present system point out (1) that he ignores the fact that the federal government normally collects more revenues from the highways than it spends on them, (2) that the bulk of such appropriations must be matched by the states. This requires legislative action, and as most state legislatures meet only once in two years, the federal government's failure to make advance authorizations binding on the Treasury after being taken up by the states would jam the works.

Fix Soft Coal Prices

U.S. commission issues order for Eastern mines. Now new problems arise.

In announcing what it decided was the right answer to a very big question this week, the Bituminous Coal Commission set up a couple more problems. But the consensus of the coal industry seemed to be that answers could be found to these new problems, too.

Question answered was: "How can the industry make a profit when price-cutting on industrial coals (80% of production) has forced prices below the cost of production?" The answer, said the commission, was in its scale of high- and low-grade prices, f.o.b. Eastern mines, as set forth on Tuesday.

The new problems are: "How will buyers react to these prices?" and, "Will competing fuels such as oil and gas take away much of the present industrial market?"

No quick estimate can be made on these points. Industrial buyers may be able to absorb higher coal costs, if a business upturn allows them to pass some of the cost to consumers of goods or services; meeting competition is still a problem of promotion and selling as

it has always been. And public reaction should be good along another line—domestic consumers will benefit from prices which generally are lower than expected.

Another important angle is found in the commission's announcement that prices and marketing regulations are subject to revision, and that, pending such revision, contracts should bear a 30-day limit. Consequently the schedule of prices can be used as a base for informed discussion in future arguments before the commission; as the

coal men put it, "Now we've got something definite to talk about."

In the same vein, it was felt this week that business in general should be encouraged by the mere fact that the commission finally had spoken, and that the period of uncertainty was ended, at least in part. Still to come was similar planning of prices and practices for areas west of the Mississippi, but they were expected to be more or less on the same general pattern. A start toward stabilization had been made, at least.

Farm Bills Face Veto—or Court

Both House and Senate measures violate Roosevelt's budget demand, so he might refuse signature. And they're both called unconstitutional.

AGRICULTURE committees of both the House and the Senate have whipped together and introduced bills which embody their somewhat helter-skelter views of what the new farm legislation should be. The two bills aren't in agreement on many particulars, but they certainly correspond on one thing—neither the upper nor the lower house of Congress is willing to predict where the necessary revenues are to be found.

Both committees went into reverse on Secretary of Agriculture Henry A. Wallace's suggestion of processing taxes on cotton and wheat. Either bill, as it now stands, would face the threat of

Presidential veto if it were passed, because of failure to dig up needed revenues. Students of the situation are convinced that both bills would require \$200,000,000 to \$250,000,000 more than the \$500,000,000 heretofore raised out of general funds for farm aid through the Agricultural Adjustment Administration.

That's the first hurdle for the farm bills, which are the "first order of business" in this special session of Congress. The second hurdle is Constitutionality. Both bills provide for compulsory marketing quotas to be imposed on farmers whenever surpluses get out



Newsphoto

Ready for a Stockholders' Meeting

C. M. Chester (left) and W. B. Warner, respectively chairman and president of the National Association of Manufacturers, prepare for the annual meeting of American Business, in which members of their organization will gather at the Waldorf-Astoria in New York, Dec. 5-9, to discuss the progress of 1937 and build a platform for greater progress in 1938. This year's crowded program, culminating in a "Labor Day" session on Dec. 9, will place special emphasis on the timely subject of employment relations. The detailed job of American business in carrying on recovery, as defined in the scheduled addresses of its leaders and in a special report of the Industrial Practices Committee, will be summarized in Industry's Platform for 1938.

of hand. Critics of the bills maintain that those provisions are unconstitutional, that they will be so declared at the first test, and that such a test case will be started at the first opportunity. The Republican minority of the House Agriculture committee even contends that the whole idea is once again to embarrass the Supreme Court in order to launch another campaign for reorganization of the judiciary.

Problem of Constitutionality

Each bill takes voluminous cognizance of the Constitutionality obstacle. Each has the familiar "separability clause" which specifies that even though one part of the law be overthrown, all others stand up. Each lectures at great length on the extent to which surpluses of crops disorganize interstate and foreign commerce, how stability of production and marketing are essential to the national wellbeing, and how farmers are unable of themselves to organize to protect the nation from the shocks of shortages and surpluses.

Moreover, both bills meticulously provide that imposition of marketing quotas on farmers must not be attempted without a referendum of the growers concerned. Unless growers of a crop approve quotas by 2 to 1, there won't be any. (But the Senate bill would penalize farmers who vote against quotas by not giving any federal aid to that crop for the ensuing two years.)

The bills agree on the following: continuation of soil conservation programs, with benefit payments to cooperators; launching Wallace's "Joseph plan" or ever-normal granary, with government loans on surpluses stored; protection of consumers against too high prices, and penalties on farmers not complying with marketing quotas. Both bills carefully advocate parity prices and parity incomes for farmers, but the Senate makes them a vital part of its bill while the House defines them and lets it go at that. (Sec. Wallace advocates substitution of parity income for parity prices; and parity income is a fine, flexible thing.)

Differences Between the Bills

The two bills differ in minor particulars on just when the ever-normal granary for wheat, corn, cotton, tobacco, and rice overflow, but the differences will be fairly easy to compose. The House would curb benefit payments to big producers—anything above \$2,000 would be diminished by 25%, subject to certain exceptions. The House heeds the spring-wheat states' plea by allowing the Agricultural Adjustment Administration to distinguish between various types and grades when imposing quotas (but AAA isn't compelled to distinguish). House puts penalties for over-marketing when quotas

are in force onto the farmer; the Senate shifts them onto the buyer of the excess production in several cases.

The Senate bill sets up the new Surplus Reserve Loan Corp. to administer loans on crops produced in excess of home and export needs, whereas the House just continues the present Commodity Credit Corp. The Surplus Reserve Loan Corp. would have \$100,000,000 capital supplied by the Treasury. It could issue up to five times that amount of debentures or notes—tax exempt and fully guaranteed by the government as to principal and interest. General tax revenues would pay its deficits, if any.

The Senate committee, headed by Ellison D. Smith (Cotton Ed), puts a lid on expansion of new cotton producing areas. When quotas go into effect, not more than 3% of the national allotment can go to farms and areas "currently producing cotton for the first time during the last 10 years." The House allows \$5,000,000 for AAA's administrative expenses, the Senate \$10,000,000. The House asks \$10,000,000 a year for development of new markets and uses for crops. The Senate started out to ask for the Federal Farm Bureau's "sliding tariff" to regulate domestic prices, but deleted the idea.

Instalment Choice

Buyer may now pay 5% down, instead of 10%; but his time is cut short.

IN order to impart flexibility to their instalment plans—so that buyers will have a choice—leading finance companies have adopted alternative terms on household appliances. These terms, incidentally, fit in with the recent emphasis on tightening up on credit.

The buyer's option is to pay 5% down, instead of 10%; but for that concession he will be allowed six fewer months in which to pay. For example, standard terms, adopted in the middle of September, were 10% down, 30 months on a refrigerator or range; now, there is the alternative of 5% down, 24 months to pay.

That program generally holds all along the line and has been adopted by General Motors Acceptance Corp., Commercial Credit Co., Commercial Investment Trust, General Electric Contracts Corp., and Refrigeration Discount Corp., which handles sales for Nash-Kelvinator appliances.

Among the appliances affected are vacuum cleaners, which will be available at 10% down and 18 months to pay, or 5% down and 12 months; dishwashers and ironing machines, 10% and 24 months, or 5% and 18 months. A minimum of \$5 is still required.

BUILDING LIQUOR STOCKS

With production far outstripping consumption since repeal, distillers looked to late 1937 for the first supply of 4-year old bonded whiskey. Now, with heavy stocks, they have a worrisome price problem.



whiskies. National Distillers last month officially launched its new Eagle Blend with a resounding advertising fanfare. Distribution was extended to all Atlantic seaboard states after successful trials in Pennsylvania, New York, Massachusetts. Retail price is \$1.14 a pint.

Campaign for Blends

Schenley has matched the move with its Red and Black Label blends. (Schenley already had its cleverly-advertised Wilken Family to prove the value of blends, and National had invaded the market before.) The big gun-fire accompanying current campaigns indicates a major movement. With total whisky demand leveling down to normal, it is apparent that the two giants are looking for expansion in the most promising direction. For both National and Schenley, blends also offer a refuge against the day when bonded liquor will be plentiful, lower in price, hence not so dependable for profit.

Here are competitive factors to be pondered by Seagrams, the company which first went for blends in a big way. Its affiliate, Calvert, has done an outstanding job in blends and is the most important brand in Eastern markets. Oldetyme, whose blend sales are said to have doubled during 1935 and 1936, also is on the alert.

The question of veering tastes is indirectly involved in the battle now raging before the Federal Alcohol Administration over the barrel question. Big distillers are opposing the demands to relax government requirements. But they must consider the possibility that some day they may want to employ practices they now attack.

The Barrel Rumpus

The rumpus is over storage in charred new white oak barrels as against storage in used barrels. Present FAA regulations are that whisky stored in old cooperage is not entitled to the age rating for the time it stays there, and remains officially 24-hours old. Moreover, it cannot be called straight. While the question is under consideration, business is upset.

New barrels cost from \$5 to \$6 apiece; old ones can be had for 50¢ and under. Thus whisky stored in used cooperage costs about 10¢ per gal. less to produce than that stored in new. National Distillers and Schenley (who use new cooperage) are fighting to keep the present rules. The old-barrel faction is headed by Hiram Walker, and includes Continental Distilling, American Distilling, and others.

Defenders of the regulations assert that the American tradition calls for new barrels, that American type whiskies to meet government standards must use new cooperage. Opponents want credit for the time their whiskies

remain in used barrels; they want permission to announce this age through bottle labels and advertising, and to retain their 10¢ per gal. edge over their rivals. They hold that used cooperage is preferable for the lighter types of whiskies they are making, while admitting the advantage of new oak for heavier types of American liquor.

Which brings it all back to the question of shifting American tastes. Executives working to keep the present stern requirements may want to take advantage of the cheaper storage if the drift away from heavier whiskies becomes permanent. That saving on cooperage is something to hanker for. Naturally lumber and cooperage interests hope no change will be made.

Opposing groups belabored each other at an FAA hearing in Washington which began week before last. There are no predictions on the outcome, but everyone is asking for a quick decision to end the uncertainty.

State "Gas" Grading

A move for state standards on gasoline raises question who will benefit most.

IN the horse and bicycle era, governors rewarded pet henchmen by making them state coal oil inspectors. Fees were fat, the duties negligible. These political sugar-plums have dwindled with the motor age but recent developments are disturbing.

Gasoline standards follow the ratings of federal and industrial chemists. Campaigns are afoot for the state grading of gasoline. They are accompanied by loud assertions of solicitude for the consumer. But with state standards in force, what would be more natural than the establishment of commissioners (with nice salaries) to inspect gasoline and see that the standards were kept?

North Carolina is pioneering in the field. On Dec. 1 its state grading law goes into effect. Pennsylvania has been investigating the oil industry and so has New York.

Argue against Proposal

In New York the main proposals are for a law setting gasoline standards, and the licensing of gasoline service stations to reduce their numbers. One of the objections raised at the hearings by oil executives was that state standards would make consumers think that all gasoline is alike, thereby stifling brand competition which promotes research and improved products.

Chairman of the New York investigators is Assemblyman Harold B. Ehrlich of Buffalo. He asserted that his committee had made many tests which showed inferior gasoline was being

sold. He has issued a call for a meeting of state representatives in Chicago Dec. 20-21. The conference will consider state gasoline standards among other petroleum problems.

The petroleum industry professes confidence in the great bulk of its products and thinks that competition for gallonage is strong enough to make quality progressively better. To back its claims of integrity, it quotes from a 1936 report of the Virginia Department of Agriculture and Immigration. Of 78,000,000 gal. sampled by the state during the year previous, only 5,530 failed to meet specifications. In other words, 9,999.3 gal. out of every 10,000 were up to standard.

While admitting there are chisellers in its midst, the industry does not believe they are sufficiently numerous to warrant new laws or new enforcement machinery. It would like to see cheaters slapped down and it isn't afraid of inspection. What oil companies do object to is a further loading of political payrolls when each state already has sufficient personnel and authority in its gasoline tax department to police the business.

Thoughtful persons declare that a completely effective check-up is practically impossible. The only point at which the public can be fully protected is at the gas pump. There are some 190,000 service stations in the country with 600,000 pumps. Adequate inspection of all these would require so many new government employees as to appall the most brazen statesman.

A Playground for Fees

Already inspection is a playground for fee collection and diversions. In 13 states there is no inspection of petroleum products; in 14 others, inspection is required but no special fees are levied. The remaining 21 make charges for inspection. In Indiana the rate varies with the number of barrels tested. Montana has an annual license. Iowa and Michigan make a levy for kerosene inspection only. Regulations of the remaining states, mostly Southern, Midwestern, and West North Central, vary greatly in their imposts.

Tennessee leads the procession with an inspection fee of 3¢ for each gallon of gasoline. At the other end are Kansas and Missouri with a charge of 1/50¢ per gal. The consumer pays—and plenty. Six states collected \$2,064,000 in one year via inspection fees and paid only \$462,700 to have the work done.

While continuing its high fee, Tennessee abolished its coal oil inspectors early this year after an investigation that left its face red. It showed the inspectors were usually old men and women appointed for political reasons who generally performed no duties.

"Unforeseen events . . .

need not so often change and shape the course of man's affairs"

" Him?
Why, he locks
barn doors,
son."

Come, come, Mr. Morrison—you're talking in riddles to the boy. You'll make him think Bill Hudson is a bit eccentric. Can't you hear the youngster snort—"Huh! Locking barn doors! What for?" Complete the sentence: "...before the horse is stolen." Then tell him it's a figure of speech. Tell him that Bill is a Maryland agent ...that his job is to protect men and their businesses against every-day hazards like a boiler blowing up, an embezzlement of funds, an automobile crash or an accidental injury...that he does lock the door for his clients against financial loss...that he is one of 10,000 well-trained men who are alert to provide Maryland protection for their clients through casualty insurance and surety bonds. And while you're on the subject, Mr. Morrison, you can tell the lad for us that we think Bill is doing a bang-up job.

THE MARYLAND

MARYLAND CASUALTY COMPANY • BALTIMORE

Representatives throughout the UNITED STATES, and in ALASKA, CANADA,

* CUBA, PUERTO RICO, the CANAL ZONE and HAWAII



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Stock Crash Blame

SEC and New York exchange pass buck to each other. More "heat" expected.

WHO'S going to take responsibility for the break in stock prices? The Securities and Exchange Commission won't accept it. The New York Stock Exchange disclaims it. Each would gladly give it to the other—in fact, the SEC has as much as saddled it on the Exchange by saying, in effect, "Don't let it happen again."

This little tableau of: "After you, my dear Gaston," and, "Mais non, you first, my dear Alphonse," got under way close to a year and a half ago. At that time Charles R. Gay issued a report on his first year as president of the "Big Board." He sounded a tentative and dispassionate warning that the possibility of too much regulation damaging securities markets should be carefully considered.

Bankers and Brokers Warned

Three months later James M. Landis, then chairman of the SEC but since retired to private life, spoke before the Investment Bankers Association's annual convention. He denied, without referring directly to Mr. Gay, that the plea for liquid markets was necessarily valid.

Mr. Landis sternly warned the assembled bankers and brokers that if there exists "a responsibility to think beyond conceptions that time has proved hollow, that responsibility devolves upon you."

I.B.A. members, loath to accept such a responsibility which they felt was at least in part Washington's, prevailed upon Dr. Lionel D. Edie, well-known economist, to deviate from his prepared speech and to answer Mr. Landis. Mr. Edie warned that, come what might, any flop in securities could in major degree be considered an aftermath of the Administration's easy money policies.

Each Reiterates His Views

The fight was dormant for a while. Then, last August, Mr. Gay issued his second annual report. It reiterated the warnings of a year before, saying markets had become dangerously thin. It was carefully documented with evidence. But, in another formal speech, Mr. Landis once more declared that the broad, liquid market was the vehicle of the speculator.

Then came the stock crash of the autumn of 1937. The SEC was openly blamed by such leaders as Winthrop W. Aldrich, Chase National Bank chairman. The criticism rankled. The SEC and the Stock Exchange attempted to arrange an exchange of letters which would divert criticism from both. Nobody at the top admits it, but

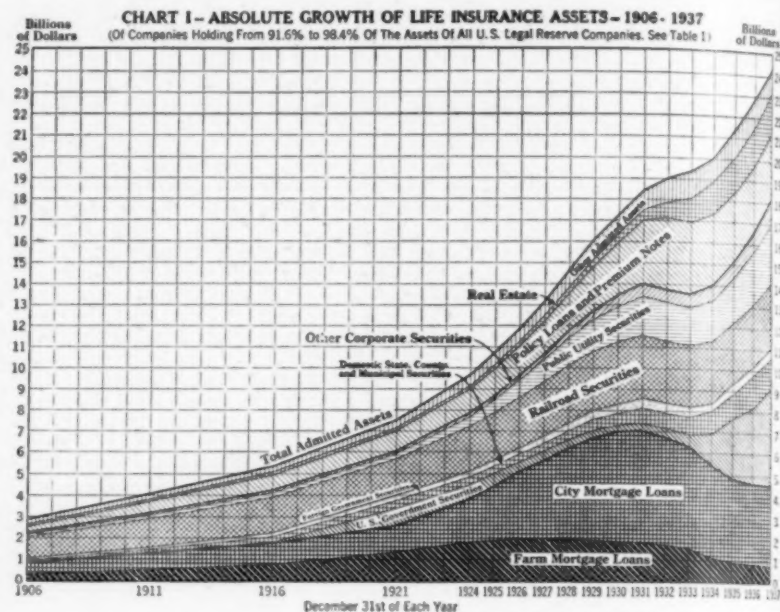
the plan broke down because neither would concede enough.

So SEC Chairman W. O. Douglas damned the Stock Exchange by issuing a blast demanding a Big Board housecleaning. He cited brokers' complaints at the small volume of trading, and suggested that reduction in the number of brokers would solve the problem; he advocated paid officers for the exchange to break up the "club" spirit; he assailed too large trading by mem-

bers, and cited figures to prove that they always traded with the trend, never against it; and he hit specialists' and odd-lot dealers' methods.

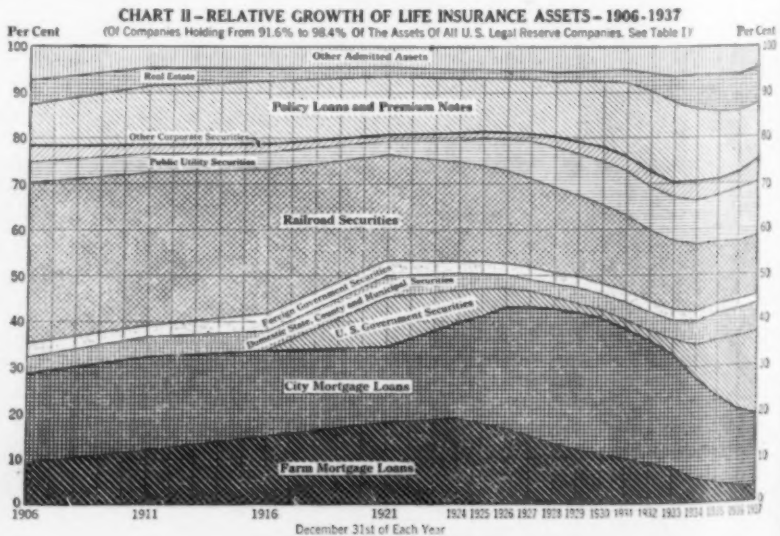
Mr. Douglas' statement wasn't particularly striking except for its timing. Everyone knew the SEC still had many of these reforms in mind. The idea of a paid president for the exchange hatched in Wall Street long before the SEC was organized.

But the timing was such that ex-

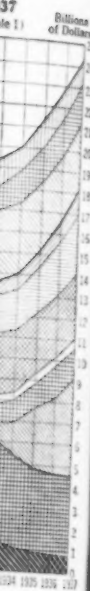


Where Life Insurance Companies Invest

The Association of Life Insurance Presidents looked back on a long period of growth as they met in annual convention in New York this week. But more particularly they viewed with pardonable pride the record of the troubled years since 1929. In much of that period just about the only investments to be had were government bonds. Companies doing more than 90% of the country's life insurance business continued to buy governments in 1937 (Chart I above), adding \$725,000,000 this year. They increased holdings of industrial, railroad, and utility securities by \$721,000,000, and total investments by \$1,962,000,000. Total assets hit \$24,250,000,000. As a percentage of total assets (Chart II below) government bonds continued to show the sharpest increase, while policy loans declined further as depression faded into the past.



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The UNDERSTUDY STANDS READY

THE show must go on" is one of the finest traditions of the stage. If anything should happen to a player, an understudy goes on. In opera particularly, when there is doubt about the condition of a singer's voice, the understudy stands in the wings ready, at any moment, to carry through the performance.

Whatever happens, life must go on for your family. You can make Life insurance your understudy, ready and able to step in and carry through your family obligations. Then you can be sure that your financial responsibilities to your wife and loved ones will be fulfilled. Life insurance will provide money

to pay for food, clothing and shelter; to assure your children an adequate education; and, if need be, to pay off the mortgage and make your family's home really theirs.

As you carry out your own Life Insurance Program you will have the satisfaction of knowing that you have a dependable understudy.

Before the curtain rises on the new year, why don't you sit down with a Metropolitan Field-Man and work out with him a Program that takes into account your needs, your means, your prospects. Telephone the nearest Metropolitan office today—or mail the coupon.

The Metropolitan issues Life insurance in the usual standard forms, individual and group, in large and small amounts. It also issues annuities and accident and health policies.

The Metropolitan is a mutual organization. Its assets are held for the benefit of its policyholders, and any divisible surplus is returned to its policyholders in the form of dividends.

Metropolitan Life Insurance Company
1 Madison Avenue, New York, N. Y.

Without obligation on my part, I would like to have information regarding a Life Insurance Program to meet my needs.

NAME _____

ADDRESS _____

CITY _____ STATE _____

127-W



METROPOLITAN LIFE INSURANCE COMPANY

FREDERICK H. ECKER, Chairman of the Board

ONE MADISON AVENUE, NEW YORK, N. Y.

LEROY A. LINCOLN, President

Copyright, 1937, by Metropolitan Life Insurance Company

change members felt firmly that Mr. Douglas was telling those persons who have lost money in stocks in the last three months that Wall Street has proved it can't behave, wherefore the SEC is going to turn on the heat.

Many members of the exchange and most of the financial press were bitter. Yet Mr. Gay, with customary restraint, replied that the exchange always had worked with the SEC and would continue to do so. He said a committee would study the advisability of paid executives who would not be members. He advised strongly against half-cocked tampering with odd-lot dealings. He stated categorically that the market was better off for the trading of members.

Figures Can Help Both Sides

The argument boils down to the fact, however, that there aren't enough statistics to prove either side's case. Either stand can be justified by available facts and figures—and knocked down by the same facts and figures.

Members of the exchange may always trade with the trend in any given day. But, over broad periods, they don't necessarily. *Business Week* has analyzed the figures as far back as they are available. From June 26 to Aug. 14, when the Standard Statistics average of 90 stocks was rising 18 points, members sold 490,828 more shares than they bought. From Aug. 14 to Oct. 23, when prices were crashing 52 points, members sold 1,542,300 shares more than they bought. In the latter period members bought 17,386,910 shares and sold 18,929,210. Eliminating members' purchases and sales which cancel each other, the balance of 1,542,300 shares sold amounted to only 2.13% of total trading; members sold, net, only 2.13 shares out of every 100 sold on the Stock Exchange during the period from Aug. 14 to Oct. 23.

Puzzled by Steel Price Outlook

Despite announcement that first-quarter prices will be unchanged, consumers hesitate to order. Mills say their costs prevent reductions.

WITH steel production having dropped more abruptly than at any time in history, people in the steel country aren't too happy. Not long ago they were so crowded with business that they were allotting tonnage among their customers. Now they are having trouble scheduling any sort of satisfactory rollings from week to week. In fact, not a wheel has turned for a week at a stretch in several of the modern continuous mills.

In almost every previous down period, lower steel prices have been the inevitable consequence of sharpened competition. Is the present market going to hold? That is a question the answer to which every steel user would like to know, and a few big consumers have gone so far as to send their scouts to Pittsburgh to try to find out. Meanwhile steel buyers are playing a waiting game to see whether the steel industry's price structure will hold or will crumble.

Argue against Price Cuts

Steel mills are inclined to wave aside any argument to the effect that steel prices now are above the 1929 level and therefore are too high. They claim that certain factors today militate against any appreciable cuts, unless companies are willing to go into the red. Wage rates are inflexible. Steel makers don't want to tamper with them and even if they did the government would bring pressure to prevent their being lowered. As to raw materials the steel people say that, though there has been a little

weakening here and there, it is not enough to get excited about.

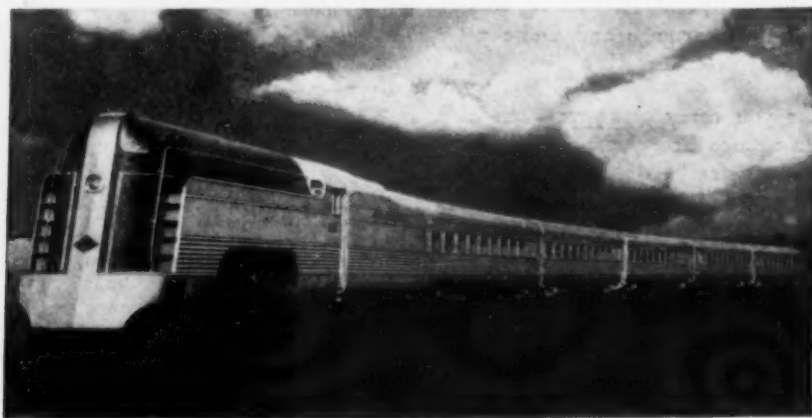
The cost of steel making soars whenever operations fall off. Erratic production, with plants running three days and then idle four days, is the most expensive kind of mill scheduling and gives no leeway for price cutting. The big continuous mills are profit-makers only when they are fed on a heavy tonnage diet. A new factor has entered in, too. The cost of social security payments, vacations with pay, and overtime has been large. On these three items alone a leading company has spent over \$13,000,000 this year.

Finishing Costs Higher

There is still another consideration. Regardless of raw steel and conversion charges today as compared with '29, there has been a substantial lift in processing or finishing costs in recent years. Customers demand steel finishes and a quality of steel today which did not exist back in 1929; many of them would reject today as totally unfit the steel which they accepted and thought satisfactory then. Product improvement can be thanked for this attitude, which has made steel making more costly.

The Robinson-Patman Act has injected a new factor into the steel price situation. Steel mills realize that if they start giving special concessions to certain buyers, they may find themselves in trouble with the federal government, and they don't relish that.

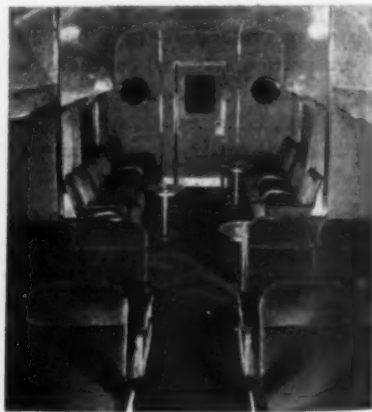
Despite all of these impressive arguments which any tried and true steel

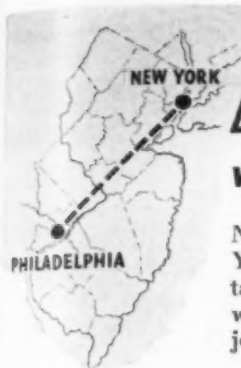


Reading Soon to Put Newest Streamliner in Operation

December 13 the Reading Railway System will put into service the first light-weight, stainless steel, streamlined train of its kind in the middle Atlantic states. Built by the Edward G. Budd Manufacturing Co., the new train will make two round trips daily between Philadelphia and New York. The train is made up of five cars and the power unit, a steam locomotive with

a stainless steel sheathing. There are two observation cars to obviate the necessity of turning the whole train around upon its arrival at either terminal. The center car has a kitchen, dining room, and cocktail lounge. The two remaining coaches have reclining chairs which can be turned around toward the windows, and each car has a smoking lounge compartment (above, right).





LINKING THE TWO GREATEST CITIES OF THE EAST...

WITH LIGHT-WEIGHT, STREAMLINED SERVICE

NINETY MILES separate Philadelphia from New York. Not far, as we moderns measure distance. But young Ben Franklin, trudging southward to seek his fortune, took a week for the journey.

Footsore soldiers . . . saddle-weary patriots . . . founders of the new nation, jolting across Jersey in their slow-wheeled coaches . . . how well they knew those ninety miles!

Travel between New York and Philadelphia has been improved many times through the years, but never more dramatically than today. *For a light-weight, streamlined, high-speed train now links the two great cities with a new kind of travel-comfort!*

The Reading Company can well be proud of this most modern of trains. Its five Budd-built, light-weight, stainless-steel cars are pulled by a streamlined steam locomotive. From headlight to observation lounge it is a thing of gleaming beauty . . . swift . . . smooth-riding . . . luxuriously appointed.

Styled by Paul Cret, the new Reading streamliner has all the innovations that are attracting travelers to other Budd-built trains on railroads

from Maine to the Pacific. There is a separate smoking lounge in each of the four 56-passenger cars. The fifth is a dining-car containing both a 24-passenger dining-room and a 27-passenger cocktail lounge. The train operates on a fast schedule of two round trips daily.

For the first time the Middle Atlantic States can enjoy the advantages of Budd's truly light-weight train construction. Budd builds these cars of stainless steel, which has four times the elastic strength of ordinary steel — twice that of other alloys. Welded by the exclusive Budd SHOTWELD process, they weigh from forty to fifty per cent less than conventional equipment, yet they are fully as strong and safe.

Wherever Budd trains are in service, they have brought new pleasure and new comfort to rail travel . . . along with new revenue to railroad managements.

Originator of ALL STEEL bodies for automobiles, now used almost universally, the Edw. G. Budd Manufacturing Company has pioneered modern methods in the design and fabrication of steel products.

EDW. G. BUDD MANUFACTURING COMPANY

PHILADELPHIA

DETROIT

BUDD METHODS SAFELY ELIMINATE DEAD-WEIGHT



*All
the advantages of*
**LOW PRODUCTION
COSTS**
plus
**LOW DISTRIBUTION
COSTS**



**Native-born labor
Business-minded legislation
Strategic location
Plentiful raw materials
Ample economical power
Excellent transportation
facilities
Moderate climate**

NORTH CAROLINA is the home of successful industry because here are all the advantages of low cost production *plus* low distribution costs. Within a 600-mile radius is 55.8% of the country's population. Workers, 99% native-born, are intelligent, friendly and cooperative. The tax structure and State laws are constructive to business. Raw material supplies are convenient. Ample economical power. Transportation facilities include one of the finest highway systems in the country, 46 railroads, ocean ports. The year 'round moderate climate reduces capital investment, and makes lower production costs possible. Manufacturing in North Carolina is highly diversified and reaches a total of 1 1/4 billion dollars annually. Facts relating to your business will be supplied by an industrial engineer. Write Industrial Division, Department of Conservation & Development, Room 12, Raleigh, N. C.

**North
CAROLINA**
HOME OF SUCCESSFUL INDUSTRY



Outside the congested areas... yet close to the richest markets.

man can think up before you can say "knife," Pittsburghers still are wondering whether prices can stand the present strain. In almost every previous squeeze period, prices have cracked, and mostly there has been no rhyme or reason about it. Pressed to keep mills running even part-time, sales executives used to knuckle under to the demands of important steel users. Since the days of the NRA steel code, however, the steel people have been much less prone to cut prices. Maintenance of prices thus far this fall, with sales having been so poor, has been little short of remarkable.

One should remember, of course, that steel prices have not been subjected lately to any severe test, because consumers have been busy using up the steel accumulated earlier in the year. Even the automobile makers, who are the biggest single source of steel orders, have not been in the market and still seem to have a comfortable supply of steel on hand. So, after all the arguments pro and con have been laid on

the table, the fact remains that the crucial test of steel prices is yet ahead.

Early announcement of first quarter prices was part of the steel industry's strategy to keep price levels where they are. It was hoped that such an announcement would have the effect of releasing some first quarter tonnage for rolling, whereas any uncertainty regarding prices would make buyers cautious about authorizing steel releases. But the industrial recession has worked to defeat this strategy.

Mills now are getting business on the basis of 24-hour delivery of steel; that has been almost unheard of for two years. Some mills complain that they have lost tonnage lately because they couldn't put steel into consumers' plants overnight. On the up side is the report that mills recently have operated mills longer during the week than schedules called for. That is, rollings for three days have been scheduled on Sunday, but orders coming in later have extended production an extra day or even longer.

Who'll Do Rayon Labeling Job?

"Producers," answer retailers and piece-goods manufacturers. "No, you do it," say producers. All groups fret at new federal rules.

ON Oct. 26 the Federal Trade Commission handed down a set of rules regulating the advertising and selling of rayon (*BW*—Nov 6 '37, p 54). Club-women, whose activities had been almost entirely responsible for the passage of the rules, were perhaps the only group which was blissfully happy over the action of the FTC. Producers, piece-goods manufacturers, and retailers of rayon were in various stages of discontent, complaining that the rules did not incorporate any of their recommendations.

Retailers, through the National Retail Dry Goods Association, realized with a start what was happening to the movement for consumer information. Either they would have to clean house and give a good deal more thought to the movement, or else consumer information would, as in this case, be enforced by the government. Accordingly, they promptly announced that, whether the rules would work or not, they were going to abide by them, and inform the consumer of the presence of rayon in every article in which it was used.

What that meant was that advertisements, counter signs, sales slips, and sales clerks would have to have full information on fiber identification. The information would have to be transcribed from manufacturers' invoices in each case, making the store's receiving and marking operations vastly

more complicated and expensive—not to mention the checking that would have to be done all through the store to see that the information was correct. That would not only be pretty expensive but nearly physically impossible.

The only solution, retailers decided, was to get the producers to label their goods. They asked for the FTC ruling that where a fabric was labeled as to content, it would not be necessary for the retail store to put such information on the sales slip. And for another thing, they asked the FTC to hold off awhile with the application of the rules, and give the industry time to collect its scattered wits.

Agree to Form Committee

Piece-goods manufacturers, meanwhile, were being plagued by buyers for information, each wanting to know something different about the fabric in question. With that situation on their hands, the manufacturers easily agreed to join in with the retailers and form a working committee which would demand that labeling come from the producer.

Producers growled that they didn't want their labels to be seen on every piece of cheap stuff that happened to have some of their material in it. They held back at first and tried to wriggle out of the rules. The Rayon & Synthetic Yarn Producers Committee, through its

attorney, even charge that the movement was not a Japanese move, had been national since the age of the among other to hire special women to assist FTC, finding involved, de- Producers where labels well to weave what they're they never seemed imm or not. The to be done

Who Is to

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attorney, even came forth with the charge that the fiber identification movement was no consumer movement at all but a Japanese plot. The FTC, they said, had better investigate the International Silk Guild as a Japanese propaganda agency, for it had got \$500,000 from the Japanese government, and among other things, had used the money to hire speakers who would stir clubwomen to asking fiber identification. The FTC, finding no "probable violation" involved, declined to investigate.

Producers, however, couldn't see where labeling was their job. Since they sell to weavers and knitters, who know what they're buying anyway, and since they never sell to the consumer, it seemed immaterial whether they labeled or not. The real job, they figured, ought to be done further down the line.

Who Is to Do the Job?

Who will do the labeling job is still an open question, and who is required to do what has still to be decided. But the N.R.D.G.A.'s Better Fabrics Testing Bureau was at work giving members information on the testing and examining of fabrics, so they could do it themselves. And N.R.D.G.A. sent out to its members a questionnaire to determine the extent of consumer demand for labeling, find out what products consumers most wanted labeled, what manufacturers were now labeling goods voluntarily, whether retailers gave buying preference to such manufacturers, what information ought to be included on labels.

For though the FTC is being lenient in allowing time to comply with the rules, the retailers know that all it would take for the FTC to issue a cease and desist order would be a complaint by a group of women that they weren't informed of the presence of rayon in a couple of yards of cloth they bought.

Jap Boycott Feeble

Stores say consumers display little hostility to imports from aggressor nation.

UNTIL American women are willing to give up wearing silk stockings, the boycott against Japan will not be very effective. So far, only a few women have made this sacrifice.

In a checkup with some of the leading chains and department stores, *Business Week* found little evidence that the movement is picking up much momentum. Most executives, in fact, insisted that there was little refusal on the part of customers to buy Japanese goods, and that there are fewer protests now than a few months ago. One merchandise manager particularly pointed out that the movement had never assumed as much as 1% of the



CONTROL THE UNCONTROLLABLE

You read of "flood sufferers," of appalling property losses from disastrous fires, tornadoes, earthquakes, strikes, riots, here, there, anywhere.

Your own firm, a thousand miles away, may suffer heavily from these so-called local or sectional disasters. Your "receivables" may be irretrievably lost in the ruins.

You can't control unbridled nature, or human nature, or circumstances which cause credit losses; you can control your own credit losses very accurately. Insure your sales.

Credit Insurance provides for the safety and liquidity of your working capital. It insures *profit*. If debtors cannot or will not pay for goods shipped under the terms of the policy, you are promptly reimbursed.

Credit Insurance prevents miscarriage of your executive plans, encourages your sales force, adds collateral to the judgment of your credit manager.

General and specific coverage is now available to Manufacturers and Jobbers. Insure special groups, individual debtors. Ask any American Credit representative for full information.

AMERICAN CREDIT INDEMNITY CO.

of New York

J. F. McFadden, President

Chamber of Commerce Building

St. Louis, Mo.

Offices in all principal cities of United States and Canada

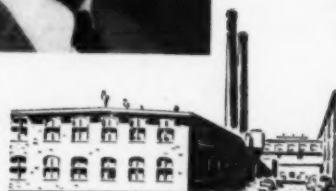
You'd turn off a dr



Comer Turley,
mechanical
superintendent,
Pepperell Mfg.
Co.,
Lindale, Ga.

It paid Pepperell to replace antiquated, deficient electric wiring

With approximately 2,000 motors in the plant of Pepperell Mfg. Co. at Lindale, Ga., burn-outs have been so reduced by installing over-size feeders that in five years there has not been a single case of rewinding on a spinning-frame, loom, or card-room motor because of overload. "The practice of installing over-size feeders is good insurance and saves on power bills," says Comer Turley, Mechanical Superintendent, "yet it involves only a small additional investment since labor cost is the same. We design feed lines for a load from 50% to 100% greater than immediate requirements."



37535



Anaconda Wire &

General Offices: 25 Broadway, New York • Chicago Office: 20 North Wacker Drive

a dripping faucet

-why not stop invisible electrical leaks?

Neglecting electrical circuits costs factory owners thousands in breakdowns... high power bills

YOU can see a faucet dripping. But an overloaded electric circuit may be wasting money in the form of heat losses without your ever knowing it. Only the treasurer, wondering why bills are so high, suspects that something must be wrong.

Heat losses are but one way in which dollars fly out the window needlessly when electrical circuits are neglected. Frequent breakdowns are another. Men and machines stand around idle. Or, voltage drops reduce machine output. Lumped together, the damages the industrial plant suffers from antiquated, deficient wiring are often enormous. And authorities estimate that *nine out of ten industrial plants today are being penalized because of obsolete electric wiring!*

Safeguard your plant

A wiring survey will cost you nothing and may save you thousands of dollars. We offer here a complete plan for such a survey. The books shown at the right give you everything you need to initiate a check-up of your plant's circuits.

New, informative, they are being used by hundreds of manufacturers. Send for them today.

If you have a specific problem in mind, consult our Engineering Department. We will cooperate without obligation. Many important improvements in cable design have been pioneered by Anaconda Wire & Cable Company. Why not benefit from the savings which these modern cables make possible? Let us tell you more about them.



FREE! Our "Industrial Wiring Survey" tells how to make a check-up of electrical circuits. Our "Industrial Guide for the Selection of Wire & Cable" tells how to correct the troubles which the survey reveals. The books will be sent you on request.

proportions of the anti-German consumer drive of a few years ago. Germans admit that they still lose as much as \$12,000,000 worth of business a year because of the persistence of consumer reaction to German goods.

A number of organizations are working actively for a thorough boycott of Japanese goods, in spite of the discouraging results in the first four months since the campaign was started. One group of boycotters is working on the basis of a boycott which will continue only so long as Japan continues its war against China, or other non-aggressive nations. Another group represents industries in this country which originally initiated their boycott program because of injury to business from low-priced Japanese competition.

While the drug, glass, chinaware, and novelty trades may benefit from a shift away from Japanese items in the shops, a good deal of this business will simply shift to Czechoslovakia and other large producers of low-cost items for the novelty trade. But the effect on Japan will not be really serious until it reaches importantly into the silk field—hosiery and undergarments. The work of the boycott committees in the next three months, and the response they win, will determine the campaign's success. So far the results are negligible.

War Lessens Tung Oil

Imports from China to Japan and United States reduced. Substitutes are sought.

WASHINGTON (*Business Week Bureau*)—Slackening of tung oil imports from China, one of the first results of the Chinese-Japanese war, is causing considerable concern in Japan, just as it is doing in this country. In Japan, paint and varnish manufacturers have for generations relied upon the supply of this product from China, since the Japanese article is inferior to the imported product. Japanese tung oil comes from Fukui mainly, with Hyogo, Tattori, Shimane close behind.

Total annual output of the Japanese product averages between 15,000 and 16,000 boxes, with this year's crop estimated at 20,000 boxes, or 960,000 kin (1 kin equals 1.3 lb.). To cope with the problem raised by the shortage of tung oil from China, the Tokio government is fostering tung oil cultivation in Japan in other provinces.

The shortage of tung supplies is expected to stimulate planting in this country where a good deal of attention is being paid to the development of tung oil trees. One of the results of the drying up of the oil stream has been to increase the search for substitutes capable of approximating the efficiency of tung oil as a drying agent.

Cable Company

Sales Offices in Principal Cities



More Picture Magazines Bob Up

And latest is called *Picture*, and it has pretty stalwart backing. *Life* and *Look* ride high, and a flock of others are on the stands.

THIS month a new picture magazine joins the parade. Called *Picture*, it has produced more rumors than most of the others put together.

Back in 1935, in the J. Sterling Getchell advertising agency, they began to fool around with plans for a picture magazine, tentatively called *Picture*. Because the plans were soon dropped, *Look*, which was then a-borning, copyrighted the title, *Picture*, but never used it. This fall Popular Science Publishing Co. moved into the Chrysler Building in Manhattan and took offices near those of J. Sterling Getchell. The word went around that Getchell was developing his old picture magazine plans for Popular Science.

Now it appears that the publishers of

Picture is Picture Magazines, Inc. President of the corporation is J. Paschall Davis, of the law firm of Davis, Polk, Wardwell, Gardiner & Reed, and the brother-in-law of J. Sterling Getchell. Editor and vice-president is John Tarleton, until recently secretary and art director for Getchell. General Manager is Frank Sharpe, until recently in the Getchell radio department. Stockholders are Mr. Getchell, Albert Cole, president of Popular Science Publishing Co., and William Benton, former chairman of the board of Benton & Bowles, and now in charge of public relations for the University of Chicago.

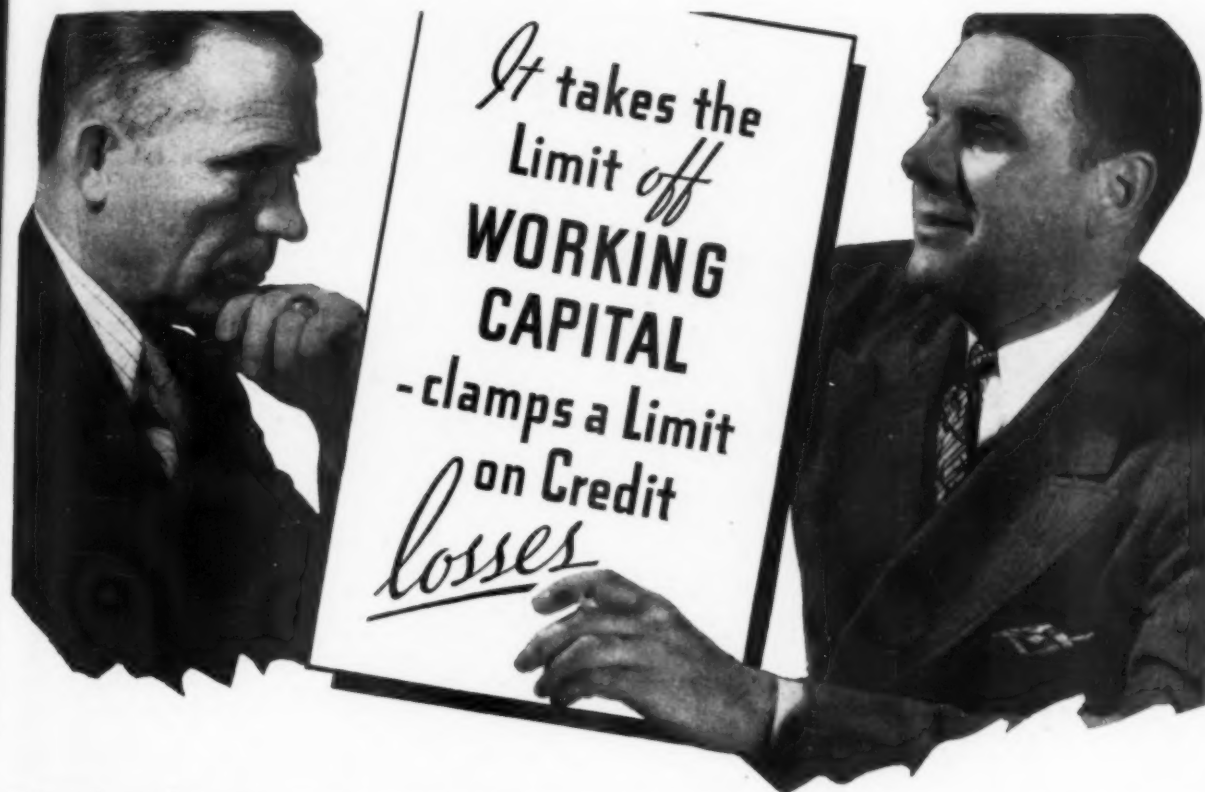
The first issue of *Picture* (the title had to be bought back from *Look*) will appear on the stands Dec. 28, dated

February, and selling for a dime. A few copies, with a January dateline, are being tested in some cities now. Subtitled "The Photographic Digest," *Picture* does not try to illustrate the news of the day. It is strictly a creative job, ideas for stories being worked out first, and pictures taken to get them across photographically later. It is after a mass circulation somewhere between *Look* and *Life*. It has no gore.

Last month *Life*, the daddy of them all, celebrated its first birthday. Still offering "the news, pictorially presented," *Life's* greatest problem is still how to fill its demand, even though four times as many copies are being printed now as at its start, and circulation is up over 1,600,000. Unlike most of the other picture magazines, *Life* has a circulation split about evenly between subscription and newsstand sales, and a survey shows that circulation was confined to the high income groups, 57% of the *Life* families having incomes over \$3,000, less than 5% under \$1,200.

By next March, *Life* expects 2,000,





"I've found a way to stop a serious drain on my profits and re-employ the money that used to go vacationing at my expense... money that was tied up in accounts receivable. It works for me all the time now.

"Doubtless, you've heard of Commercial Credit Company's open account financing plan? So had I. I recognized its many advantages, and knew that it was being widely used by many flourishing business concerns, but I had one mental objection to it I couldn't overcome. Let me explain.

"I'm as modern and progressive as anyone in production and sales methods. But in matters of credit and finance there's a conservative streak

in me as wide and as deep as the Grand Canyon. I wouldn't count my chickens while they're still eggs. Neither would I discount my receivables and use my own money profitably in my own business. One of my large accounts might fail. Then I'd be on the spot. Invariably, I would decide to wait for my money.

"Then Commercial Credit Company introduced its new LIMITED LOSS clause and changed the whole picture for me. Briefly, here's just what it means. I can now cash in on as small or as large a part of my receivables as necessary, without any red tape or delay. I can protect myself against any credit loss beyond my normal bad debts. The margin between what it costs to do this, and what the use of my capital nets me in discounts saved and new profits earned, is far in my favor. My customers get their regular terms—pay in the regular way.

"I'm still a conservative. Nothing is different except that I now have less financial worry, more liquid capital and a more thriving business."

* Commercial Credit Company's modern industrial financing is available to you on terms that enable you to liquify your receivables and re-employ the money profitably and safely. Investigate the new LIMITED LOSS clause introduced exclusively by Commercial Credit Company. It is a protective feature that will interest you. Full details on request... no obligation.



COMMERCIAL CREDIT COMPANY

NEW YORK

CHICAGO

BALTIMORE

PORTLAND, ORE.

SAN FRANCISCO



ALEXANDER KORDA—Since he produced *Henry VIII*, he's carried the torch for the British movie industry.

000 circulation. Pre-publication subscriptions ran out last month, and a 70% renewal was assured. At the start of 1938, and a guarantee of 1,500,000, *Life's* advertising rate goes to \$5,700 a page. With most of the advertising this year having been contracted for back in the beginning, when there was a 300,000 guarantee, it begins to look as though *Life* will recoup some of this year's losses.

Look Starts Career

Until January, 1937, *Life* held the picture magazine field alone. Then the Cowles brothers, of the Des Moines *Tribune and Register*, moved into the field with *Look*. At first regarding it as a cheap imitation of *Life*, trade observers were soon eating their words, with the realization that *Look* has as definite and distinct a place in the field as *Life*.

Look's is a selective job. It avoids the news, which *Life* handles. And it shies away from the creative policy which *Picture* will have. Its policy is to go through all the pictures it can get, and run a story if the pictures warrant one.

Look got off to a flying start by running a picture of Garbo on the cover of the first issue, which looked suspicious when it was folded over, and finally the publishers yanked the issue from the stands. It had already sold 600,000 copies, however. Until April, *Look* was a monthly. Then it went to a bi-monthly. Circulation took a drop from 1,536,000 to 1,250,000 then, but in four issues it was back up again. Now it is nicely over 2,000,000—and that's 99% newsstand, and mostly concentrated in the middle income groups. Advertising was first taken this October. With a guarantee of 1,500,000, rates

are now \$3,750 a page, and *Look* has already announced that starting Apr. 26, 1938, it will guarantee 2,000,000, and boost rates to \$4,800 a page.

On the heels of *Look*, last spring, pulp publishers began to move into the picture magazine field and ride along on the wave. In April, Street & Smith (*Cowboy Stories*, *Love Story*, *Sport Story*, *Western Story*, *Detective Story*), brought out "*Pic*," a *Look*-size monthly, selling for a dime, covering the sport field. "*Pic*" takes no ads yet, has branched out to cover the whole entertainment field, tackles subjects such as *Night Life in Greenwich Village*, and, in addition, runs a feature called "The Pic Album of Notorious American Murders."

Another Makes Appearance

In May the Dell Publishing Co. (*Film Fun*, *Sweetheart Stories*, etc.) came out with *Foto*, a smaller-sized monthly, selling for a dime, running pictures on "How Clip Joints Operate," an appendix operation, the development of a human embryo, a history of bathing, with a feature on "The Most Horrible Picture of the Month."

In July, Harle Publications appeared with *Now & Then*, a monthly, selling first for 15¢, now down to the regulation dime. *Now & Then* compares the present with the past in pictures, covers such assorted topics as the history of corsets, a history of Christmas, how an artist 70 years ago predicted many of our present day inventions.

Latest pulp entry, this October, is a nickel contender, *See*, published by Victor Fox, publisher of *Real Charm* and *World Astrology*. *See* features dead bodies in Spain, a new dance called the World's Fair Hop, the third degree, the abortion racket, and how the strip tease today compares with the old, early 1937 variety.

Screen Magazines, Too

The pulp field is not the only one to invade the picture craze, however. Screen magazines have gone largely, or completely (as in the case of Annenberg's *Screen Guide*) over to pictures. A whole raft of little magazines have sprung up in the miniature camera field. *Current Psychology* changed its name over to *Current Psychology in Pictures* recently, and its policy changed accordingly.

A new quarterly made its debut last January, under the name of *Photo History*, covered one subject completely in each of its issues, photographically, has so far dealt with Spain, the labor movement in the United States, and the wars now going on.

And now there is *Picture*, with no end to the movement in sight yet. The failures so far have been few. Circulations soar upward. The craze still rides on the crest of its own wave.

Anglo-U.S. Film Deal

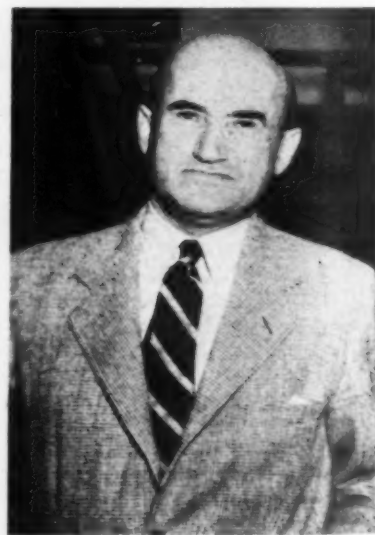
British money is said to back the Goldwyn-Korda bid for United Artists.

SAM GOLDWYN (author of "include me out on that proposition" and other grammatical goulashes) has included himself in with Alexander Korda's to buy control of United Artists. The deal is reputedly backed by British capital.

United Artists is the distributing company formed (in 1918) to handle pictures made by the old Hollywood nobility. Founders include Mary Pickford, Charlie Chaplin, Douglas Fairbanks, D. W. Griffith. The last of these potentates withdrew from U. A.; the other three became so rich and arty that they went out of production. To get something to distribute, U. A. took in new blood that was more dynamic but not so blue.

Shrewd Joe Schenck was the active executive but he pulled out and formed 20th Century-Fox. The incredible showman, Goldwyn, became a producing member of U. A. in 1926. Korda bought in two years ago. Hitting a slump in Hollywood, Korda harkened to the British cries for an empire-boosting movie industry. He went to England and made a second reputation by producing *Henry VIII*, though the envious now whisper that this b.o. (box office) wow (success) was largely the result of Charles Laughton's genius.

Nevertheless, Korda became a torch bearer for the British industry. After conferring in New York recently with E. H. Lever, of London's Prudential Assurance Co., Goldwyn and Korda an-



SAM GOLDWYN—The grammatical goulasher and master moviemaker is teaming with Alexander Korda to take over United Artists, which began life as the private distributing corporation of several of our film nobility.



ALASKA'S CAPITAL and biggest trading center is Juneau (pop., 4,043).

nounced that the United Artist's sale was all set. It is said that about \$4,500,000 worth of British pounds will be used to buy out the Pickford-Chaplin-Fairbanks interest, leaving Korda and Goldwyn in 50-50 ownership.

Prudential Assurance has been backing be-spangled attempts of Britain to out-match Hollywood. The idea was to crash the American market with British films, but results have generally been characterized by the industry's technical rating of "lousy". Undoubtedly the

British government is privy to the U. A. negotiations since the Board of Trade is in on all such proposals.

Naïve commentators have seen in the British financing a new attempt to penetrate the American markets. Insiders snort away such suggestions. U. A. has been distributing British films here and abroad. It is indicated that buying-in with British money means merely a closer tie-up. The British are never going to dent the American market until they make better pictures. No such probability is in prospect.

Sales Opportunities in Alaska

Trade is reaching pre-depression levels, and markets for producer and consumer goods should grow as Alaska undertakes development of new industries.

BUSINESS, searching for new markets, has an eye on Alaska, whose trade with continental United States this year is reaching pre-depression levels. End-of-the-year statistics will show a total volume of commerce for 1937 approximating \$100,000,000 (not counting gold and silver exports), well above the 1926-29 rate, and 100% above the 1932 figure. Alaska exports \$60,000,000 in goods to the States, and spends \$40,000,000 for imports.

The vast resources of the territory (with an area 14 times as large as the state of New York) have barely been scratched. As they are more

fully developed, the market for goods will expand, and those who are old-timers in the Alaskan trade will have an advantage over the "cheekakos" rushing in at the last minute. As in the case of Hawaii (*BW*—May 29 '37, p. 45), there's a definite technique in selling to Alaska, and it has to be learned.

Fish, minerals, and fur, the big three among Alaskan industries, will continue to be the territory's meal ticket, but business sees an expanding market based also on these factors:

High grade bituminous coal, in large deposits, has been located in central

and western Alaska. Barely touched by present operations, this supply opens vast possibilities in the light of progress made in the hydrogenation process for removing oil and gasoline from coal.

Indications are that Alaska has one of the largest undeveloped oil fields in the world.

In the southeastern section, thousands of acres of timber lie untouched. Recent surveys show that enough newsprint could be made from this supply to furnish the United States with 25% of its annual needs in perpetuity.

In the next ten years Alaska should establish itself as one of the foremost producers of platinum in the world.

Estimated gold deposits run from \$400,000,000 to \$1,000,000,000.

Approximately 100,000,000 acres are capable of agricultural development. Livestock and dairy products offer the greatest immediate opportunities.

Alaska's Industries Prosper

The three basic industries that supply Alaska's cash with which to buy United States goods prospered this year. Earnings of fish production jumped from \$31,000,000 to \$50,000,000 in 1936; of fish products from \$1,644,698 to \$1,682,955. Furs and fur skins brought in \$3,925,351 as compared with \$2,256,969 last year. Copper jumped from \$3,310,178 in 1936 to \$3,913,217.

The tourist business has been booming. About 35,000 persons visited the territory this year and spent money there. That's 6,000 more than in 1929.

In the last 12 years, Alaska has bought some \$360,000,000 worth of United States goods. The territory's chief needs are producers' goods. Demand for luxury products is growing, especially for automobiles, musical instruments, glass products, toilet articles, sporting goods, photo supplies, silk manufactures, and beverages.

Machinery Purchases Expected

Alaska is expected to spend next year about \$4,000,000 for industrial machinery. Imports of electrical equipment (motors, batteries, bulbs, and radio apparatus) should reach close to \$1,000,000. More than \$10,000,000 will be spent for metal products, especially tin cans, tin plate, welded pipe, wire, and wire nails. About 1,000 tons of structural iron and steel are needed.

The oil industry will sell the territory something like \$3,000,000 in gasoline and naphtha, lubricants, diesel oils, furnace oils, and kerosene.

The market for wood products should reach close to \$2,000,000, including \$200,000 worth of furniture. Demands for paper manufacturers is expected to total \$1,000,000.

Manufactures of automobiles, buses,

trucks, tractors, and parts will find a \$2,000,000 business, and tire makers' sales should come close to \$400,000.

Other large purchases will include: meat products, \$2,000,000; dairy goods, \$1,400,000; beverages, \$2,000,000; tobacco, \$900,000; candy, \$400,000; cotton goods, \$850,000; woolen goods, \$600,000; drugs, \$300,000; industrial chemicals, \$275,000; paints and varnishes, \$250,000; and explosives, \$375,000.

There's an increasing market for planes, ground equipment, and all the accessories and supplies demanded by

a growing aviation industry. From a small fleet of eight ships flying 273,000 passenger miles and carrying 118,951 lb. of mail and freight in 1929, Alaskan air service has grown to include 79 planes flying 3,035,018 passenger miles and handling 2,418,616 lb. of mail and freight in 1936.

The 60,000 consumers (26,000 of them whites) in the territory buy in nine centers; Juneau, Fairbanks, Ketchikan, Wrangell, Petersburg, Cordova, Valdez, Seward, and Anchorage.

Seattle continues to be the principal warehouse for all Alaska, although San

Francisco does a large business with the territory and Los Angeles is making an aggressive effort to capture a share of the sales.

Seattle's location is the chief reason for its dominant position in Alaskan trade. Alaska Steamship Co. boats arrive in Seattle Thursday morning and sail again early Saturday. Mail orders arriving on these steamers can be filled on the return voyage.

Mercantile establishments in Fairbanks, for example, take stock of their emergency requirements and telegraph their buying agents or wholesalers in Seattle Wednesday of each week. The required merchandise is consolidated, delivered to the wharf of the Alaskan Steamship Co., placed on board the steamer Friday, and is on its way to Fairbanks Saturday morning.

Tips on Alaska Trade

Seattle firms have been supplying the needs of the merchants in Alaska for many years and know what is required. Here are a few tips on Alaska trade for "cheekakos" from the old-timers:

(1) Merchandise under 100 pounds in weight may be shipped to Alaska by parcel post at a lower cost than by freight, particularly to the interior.

(2) Retail prices in Alaska are about the same as in Pacific Coast cities. There is no real advance in the percentage of mark-up except in the interior.

(3) The only way to obtain a significant share of Alaska's business is for salesmen to call personally on the buyers. Alaskans won't order from catalogues. They are sticklers for personal contact with firms they patronize.

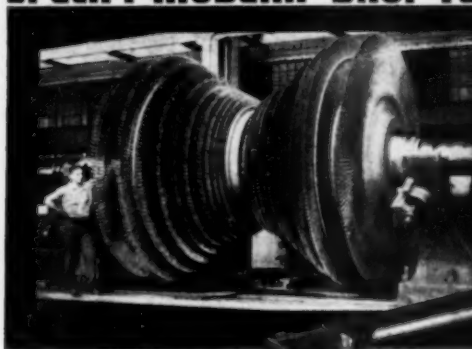
(4) Buyers are used to prices f.o.b. steamer, Seattle. The delivery time element is important when setting terms of payment and discount limit. Much goodwill can be gained by dating invoices three weeks or one month ahead.

Buying Agencies in Seattle

There are some 20 large buying agencies for Alaska in Seattle. Two of them, the Northern Commercial Co. and Hickman-Carrington Co., handle general merchandise. The Seattle branch of Sears, Roebuck & Co. does a large mail order business in the territory. There are three large wholesale grocery firms (Schwabacher Bros. & Co., National Grocery, and Frye & Co.) and two drug buyers (McKesson, Stewart, Holmes and West Coast Drug Co.). The remainder specialize in hardware, automotive supplies, and clothing. The buying office of the Alaskan Juneau Gold Mining Co., one of the largest single consuming groups, is in San Francisco. United States Smelting, Refining & Mining Co. of Fairbanks and Consolidated Gold Fields of Nome buy through the United Stores Co. of Seattle.

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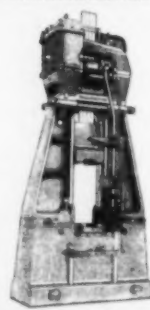
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Kansas Shows Way

Other states adopt its plan of sifting important bills through a legislative council.

In order to learn how to organize a legislative council which the last session of the Illinois legislature authorized, seventeen members of that body journeyed to Topeka last week where they were invited to sit in on a regular meeting of the Kansas council which, although not yet five years old, was the first such legislative body in the nation.

Even the Kansas lawmakers haven't yet decided on a good answer to the inevitable question: what is a legislative council? Best brief explanation is that it is a little legislature. Composed of ten senators and fifteen representatives (all appointed by the heads of the upper and lower houses of the state legislature) the council holds quarterly meetings every year to discuss and vote on needed legislation of a state-wide nature. If a bill passes both houses of this super steering committee, it is then ready to be presented by its author (who may or may not be a council member) at the next session.

The most effective tool of the Kansas council is its research department which is kept busy between legislative sessions digging out dope pertaining to proposed legislation. Unhurried and diligent research is almost impossible during the hubbub of regular sessions.

Bills Better Drafted

Because the council has time to deliberate for months or years on important questions of law, the bills it has approved in the past are, according to practicing lawyers and interested business men, far sounder and better drafted than the run-of-the-hopper stuff. Following the first meeting of the council four years ago, bills which it sent to the legislature were greeted with sarcastic disdain and a raucous chorus of Nays. Now, however, the council is favorably regarded by both parties. There is no question but that the council's efforts have speeded up the sessions recently.

At its session last week the Kansas council studied (1) the necessity of revising the state's present social security legislation; (2) the possibility of completely overhauling the entire tax structure of the state in order to obtain a more equitable distribution; and (3) methods of restricting exemptions from the state's 3¢ gasoline tax.

Other states that now have legislative councils include Wisconsin, Virginia, Kentucky, and Connecticut. The foregoing differ from the Kansas council in that members are appointed by the governor and are not necessarily members of the state legislatures. Nebraska's unicameral legislature now has a council, all members being legislators.



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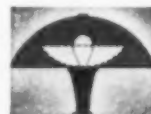
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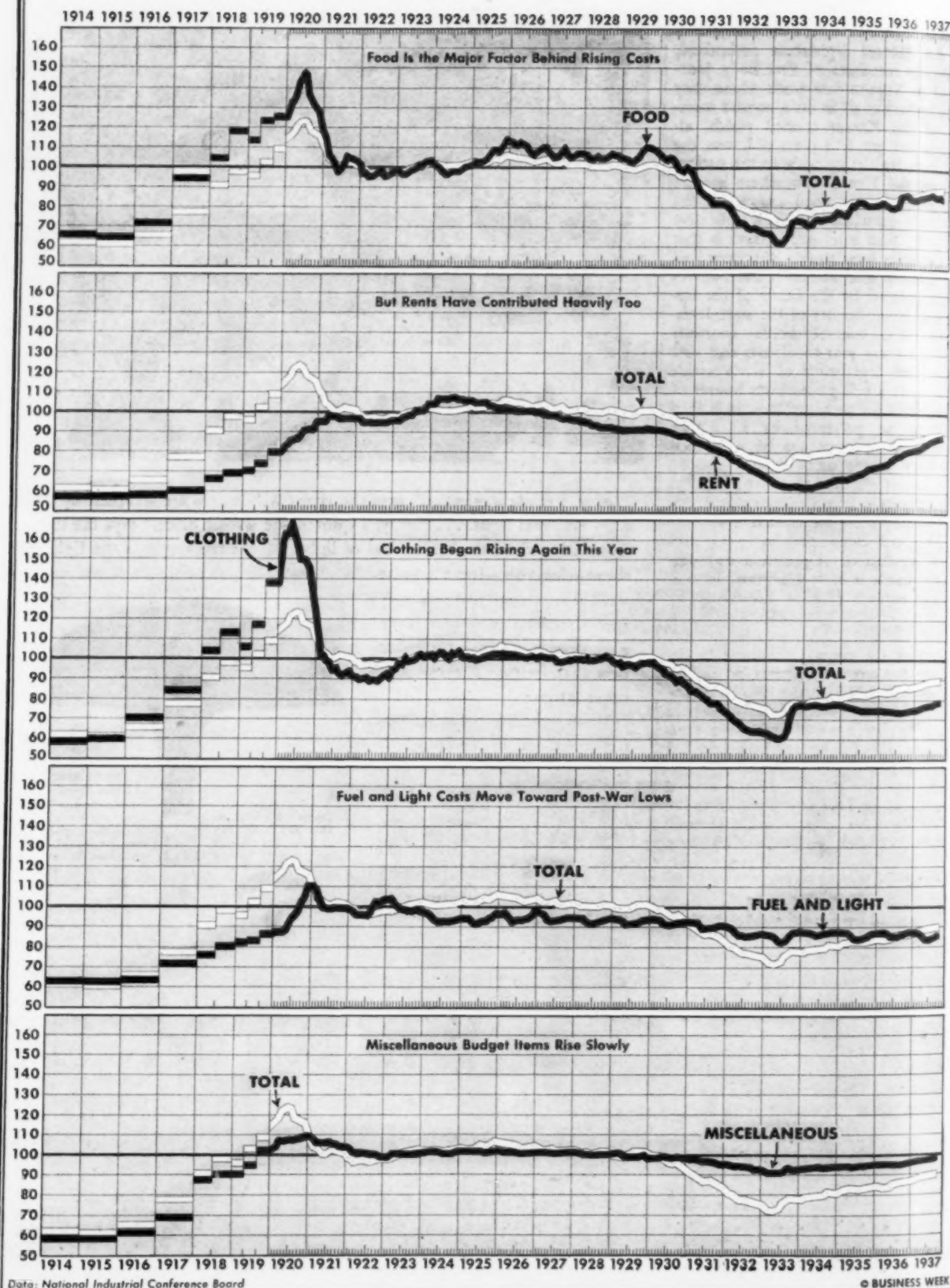
For executive desks, finished in genuine bronze or gunmetal plate with genuine silver-plated trimmings. Other Greist CORRECTED LIGHT models for every office purpose. \$8.50 to \$37.50. (Slightly higher west of Rockies.)

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WHAT'S HAPPENED TO THE COST OF LIVING

1923-100



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Costly Living

When you look for the booster behind the budget, you seem to find the government.

WHEN the Federal Trade Commission takes up the President's quest for evidence of "monopolistic practices and other unwholesome methods of competition" in recent advances in cost of living, its discoveries can easily prove embarrassing to the Administration.

The most important factor in the heightening of the c.o.l. since 1933 is the rise in food prices, result of the droughts of 1934 and 1936 but also of the Administration's own crop curtailment programs. Recent studies by the U. S. Bureau of Labor Statistics indicate that anywhere from 29% to over 37% of the wage-earner's budget goes for food (*BW-Aug 14 '37, p.32*). And, from the low point of March, 1933, to May, 1937, food prices rose 45%. Since May, however, there has been a 2% decline, partly because supplies have become more plentiful, partly the result of consumers' boycotts.

Rents Far Above '34 Low

Second in importance as a booster is rent, an item absorbing 20% of the family income of wage-earners. Rents have risen over 42% since the 1934 low. This may give the Commission its chance to berate building materials manufacturers for getting high prices in the way of new construction that would bring down rents. However, it's going to be hard to miss the fact that building labor cost is above the 1929 average, partly as a result of the Administration's high-wage theory.

Clothing, which absorbs about 12% of that family budget has been another booster. Clothing prices got an initial push upwards in NRA days. The price of wool and cotton clothing depends partly on the supply of fibers and partly on labor costs. The Administration has had something to say about the supply and about the wage movement. In the last crop year, however, the weather upset the well-laid plans of the government with the result that cotton clothing is now declining in cost. Woolen clothing prices are dropping, too; demand has dried up.

Lighting costs have been going down more or less regularly since the last half of 1920—a record that is the pride and joy of the utilities. On heating charges, the Administration is again taking a hand; right now it is setting minimum prices on bituminous coal, of which about a third is consumed in domestic grates.

The chart on the opposite page shows what has happened all along the line, with the curve for each factor in the family budget plotted against that for the total c.o.l.



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Chemical Machinery	Lavatories	Soda Fountains
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That conversation is imaginary, but the remarks are not. Every one of them is an actual, direct quotation from letters in our files. And there are many, many more like them.

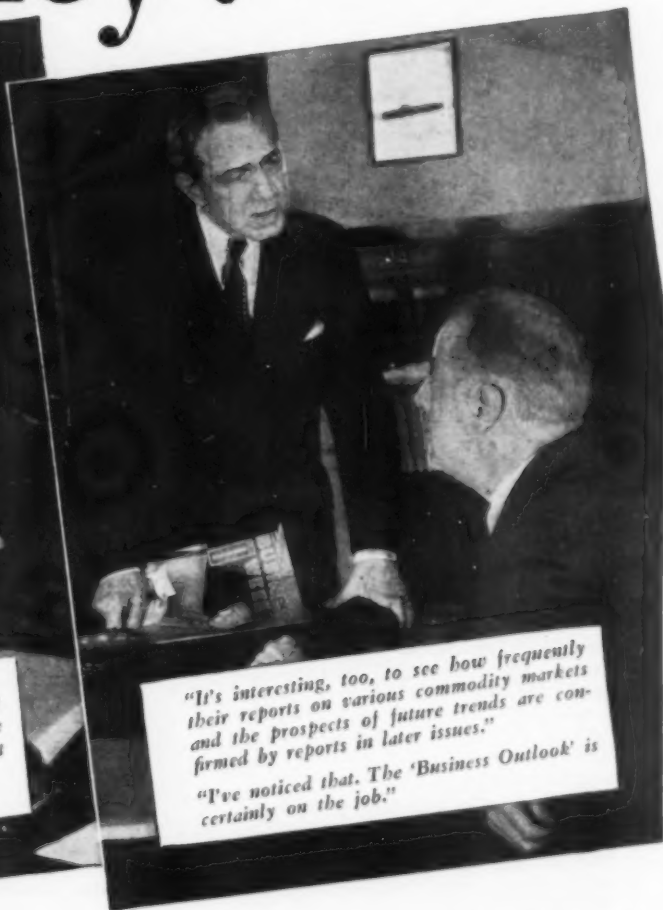
The Business Outlook reports and interprets in brief, readable form an accurate picture of business conditions,

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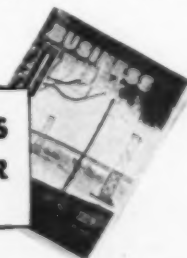
audience of over 370,000.

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WEEK

THE EXECUTIVE'S
BUSINESS PAPER



Publications—330 West Forty Second Street, New York City



ROY W. MOORE
PRESIDENT

CANADA DRY GINGER ALE, INC.
NEW YORK, N. Y.

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"Shooting" at business success landed Roy W. Moore in the presidency of Canada Dry Ginger Ale, Inc. But he has another shooting hobby.

In contrast to his strenuous duties as a super-marketer of soft drinks, today he finds recreational outlet for his energies in quail shooting. Modern Mechanix with its regular hunting department, edited by Robert Paige Lincoln, has plenty of good reading for a man like Mr. Moore—and for other hunters, engineers, industrialists—men in all walks of life who are hobbyists. Modern Mechanix is their book, devoted 100% to their recreational interests! It reaches an ALL-MAN market 274,548* strong that annually buys \$50,000,000 worth of home, workshop, sports and pleasure equipment.

Now, with color at \$1.60 per page per 1,000 and Black and White at \$1.30 per page per 1,000 (Based on A. B. C. Guarantee) Modern Mechanix is a real advertising "buy" for all men's products!

*Publisher's statement, first 6 months, 1937, 250,000 Circulation, Guaranteed, A. B. C.

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Garfield Bldg., Los Ang. • 1014 Russ Bldg., San Francisco • Walton Bldg., Atlanta, Ga.

New Products—New processes, new designs; new applications of old materials and ideas.

FACED with the necessity of making field tests on the hardness of rebuilt (welded) rail ends, and with the enormous labor of cutting off specimens for laboratory tests, Teleweld, Inc., 80 E. Jackson Blvd., Chicago, developed the portable "Telebrineller," an accurate hardness-testing outfit which weighs only 6½ lb., including case. Job of securing Brinell hardness number consists simply of holding the Telebrineller



Business Week

against metal to be tested, socking it once with a hammer, and comparing resultant dent with dent in test bar of previously ascertained hardness. Outfit, which includes microscope for super-accuracy, should have wide application in all sorts of hardness testing, in factory as well as in field.

WITH snow assured on the slopes and ski runs of Sun Valley and Lake Placid, American Optical Co., Southbridge, Mass., comes forward with a new goggle for winter sports to be known as "Skiglass." Lenses of Polaroid sandwiched between two layers of flexible cellulose acetate eliminate reflected glare from snow and ice. Though designed so compactly that it will fold into a small flexible case, the goggle may be worn over one's everyday eyeglasses.

EVER since paper replaced papyrus and parchment and vellum in the graphic arts, the permanence of rag paper has been developing into a tradition. But 10 years or more ago, Eastman Kodak Co., Rochester, N. Y., decided that the best rag content papers available were not permanent enough for photographic prints. Upshot is that its research staff, cooperating with that of one of the leading paper and pulp manufacturers, has developed a new paper with wood cellulose base, and no rag content, which age neither withers nor

yellow nor embrittles. Accelerated ageing tests indicate that the new product retains its essential toughness and is "as permanent as the silver image it carries."

FIRST aid rooms which have been undergoing runs of sinus troubles and headaches and other typical home and business maladies may want to look into the "Rayvitor" as an uncomplicated and easily manipulated source of infra-red rays. The little device which is applied to affected and infected areas by hand is manufactured by Rayvitor Co., 323 Geary St., San Francisco.

THERE are times in almost any business organization when it is necessary to call in extra typists and other office workers. Then comes the pinch on desks. J. F. Friedel Co., 215 Wallace St., Syracuse, N. Y., has a beautiful solution to the problem in its new line of "Friedel Handi-Rite" desks. Built



Robert J. Arnold

of strong, noise-absorbent Masonite Prestwood on natural wood uprights, they come knocked down, each in a compact carton, for five-minute assembly. Example shown is a typewriter desk which may be purchased for considerably less than a \$10 bill.

CANNED roller skates are coming from the production lines of Kingston Products Corp., Kokomo, Ind. Reasoning behind the surprising decision to adopt sealed fibre cans for skates included the facts that dust is a natural enemy of ball-bearings, that unpacked skates are hard to stock on dealers' shelves, that customers like to know their purchases are factory-sealed and guaranteed. American Can Co., 230 Park Ave., New York, designed and produced the slightly black, white, and red containers.

More Shaver Rivalry

**Remington clears legal hurdles;
Gillette and American may
enter the field.**

GENERAL SHAVER CORP., subsidiary of Remington Rand, Inc., has finally cleared its legal hurdles and started distributing and selling its Remington Rand electric shaver in earnest.

General Shaver Corp. first brought its shaver out last spring, and promptly had Packard Lektro-Shaver on its neck, contending that the Remington Rand product was a copy of Packard's. Packard got an injunction restraining Remington Rand from distributing or selling the shaver. Remington Rand made some minor changes in the shaver and brought it out again. Packard was again on its heels (*BW*—Oct. 29 '37, p. 28). Last month, however, the Packard injunction was vacated by the United States Circuit Court of Appeals.

By that time Schick Dry Shaver had applied for an injunction against Remington Rand. But last week the Schick application was denied. General Shaver was finally in the clear. Its first move then, was to start suit against Packard for \$1,000,000 for "unfair competition . . . loss and damages."

With Remington Rand the largest company so far in the electric shaver field, and with its place there now firmer than before, the rumor sprouted up again that Gillette and American Safety Razor would move in on the field next year. And with competition increasing daily, manufacturers admitted that next year would probably be the one in which they dropped the prices on their products.

Cheap Air Insurance

Underwriters make drastic reductions in premiums on passengers' life policies.

To the query, "Is air travel safe?", the air lines this week were able to give an answer without quoting statistics about "passenger miles" and other such technical matters. They put it all in one simple statement: "The insurance companies think it's safe."

Four insurance firms (Fidelity and Casualty Co. of New York, Firemen's Fund Indemnity Co. of San Francisco, Glens Falls Indemnity Co. of New York, and U. S. Guarantee Co., New York) are participating equally as Associated Aviation Underwriters, in issuing trip life-insurance policies through the Fidelity and Casualty company. All aviation ticket offices will have the policies on sale, much as trip coverage is sold at railway stations.

Coverage can be arranged at the rate of \$5,000 for a premium of 25¢



CHRISTMAS TREE

So far as we know, Santa Claus has never been pictured with a DeVilbiss Spray Outfit in his pack. But when the kindly saint goes modern, and applies the new white, aluminum or colored coatings on Christmas Trees, he sprays these coatings with DeVilbiss Equipment.

This means very little work for Santa Claus, as DeVilbiss Equipment functions so smoothly, rapidly, efficiently. It saves him time and money in this busy season of his, when he has so much to do, so little time to do it. So Santa Claus, like management in many different industries, is effecting important economies through the use of spray equipment.

There are many other highly unusual applications of the DeVilbiss spray principle; in fact, DeVilbiss engineers are called upon almost daily to design new and different equipment for use with unusual materials or for operation under unusual conditions. All this is the natural result of DeVilbiss' long and successful experience in the fields of production finishing and maintenance painting.

In the complete DeVilbiss Spray System is all equipment needed for every operation from the production of compressed air to the exhausting of vapors. This broad line, including automatic and semi-automatic machines, embraces everything needed in any production operation that can be conducted by the spray process.

No matter how individual your problem may be, DeVilbiss engineers can doubtless offer you valuable suggestions toward improving your production processes through an installation especially designed to meet your particular requirements . . . The DeVilbiss Company, Toledo, Ohio. Representatives in all principal cities.

DeVilbiss

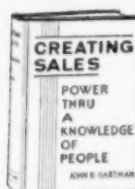
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for each four hours of scheduled flying time. Thus a policy covering a trip from New York to Chicago will cost 25¢, compared with the present rate of \$1. Similarly, coast-to-coast insurance will cost \$1 instead of the present \$2.

A further convenience is offered in the provision that coverage is good for the trip, even though limited stopovers are made *en route*. By taking a \$1 policy on leaving New York for San Francisco, for instance, the air traveler is covered for seven days, and consequently can stop over for five days along the route at other cities. If he makes part of the trip by train or auto-

mobile, the policy will cover him between points that are specified in the contract.

In announcing the reduced rates, the air lines feel that they have made a big step toward increasing public confidence, because insurance rates for air travel have heretofore been so high as to make it evident that the underwriters felt the risk was also high. Bringing the rates into line with usual per-mile costs of scheduled surface transportation by train and ship followed years of research, with statistics from the Bureau of Air Commerce and the National Safety Council utilized as a base.

500,000 Use Storage Lockers

Farmers get benefits of refrigerated food, and many manufacturers make direct or indirect sales for this steadily growing industry.

DAY or two before Christmas, over 500,000 fortunate farmers and other lessees of refrigerated storage lockers will be unlocking them to get spring turkeys and also strawberries and asparagus and other out-of-season garden sass for their holiday dinners.

Definitely the product of the resourcefulness of American farmers in the Pacific Northwest, who saw the disadvantages of selling their meat on the hoof at whatever the market happened to be and later buying it back in pieces at retail prices, the whole refrigerated locker storage business started at scratch 10 or 12 years ago. At first it was thought that they could hang sides and quarters in ordinary cold storage with little preparation, but along came mold and other forms of spoilage. It was not until sharp freezing (with its smaller and less damaging crystallization) and a locker salesman with

enough imagination to visualize business potentialities came along, that the movement gained momentum.

From the Northwest, locker storage spread to the Middle West, adding the storage of fruits and vegetables for out-of-season use as it went. Over 2,000 plants have been established to date (Iowa leads all states in installations, with over 200 plants). Some are co-operative; more are individual or corporate outfits, each harboring from 50 to 2,000 individual lockers. Average number of lockers per plant, 350-400; popular size of locker is 16 x 18 x 24 in., capable of holding over 200 lb. of frosted meats and vegetables. As yet few plants have cropped up on the Atlantic Seaboard, and few, indeed, in cities. Des Moines and Omaha and Kansas City have plants, but most of them are in natural farm market centers, often connected with creameries



CHRISTMAS STRAWBERRIES and July 4th beer are both being made possible for farm families through the medium of low-temperature locker storage.

and storage in towns would have way.

A locker plant in installation "room" at about purpose of improving there it grows and wrapped by a skill carry lock her, date From the shelves where the temperatures deg. F., which is +15 degrees new locker if required.

Income

Before dergo bacteria Fruits added a operator locker processing come to Typical chilling and pl lockers, tables or han dering smoking been er ber of on mea per far ing ac those ters.

Optim

Mar and in been ing b compr manu howev tions chiner 200 l and i clude "feel 1938. no st perfo neers has i that

and storage plants and general stores in towns and villages where farmers would have to go every market day anyway.

A locker plant is in effect a packing plant in miniature. In a typical installation, there will be found a "chill room" where butchered meat is hung at about 34-36 deg. F. for the dual purpose of eliminating animal heat and improving flavor and texture. From there it goes to a processing room where chops and steaks and roasts are cut, wrapped in special paper, and labeled by a skilled meat cutter. Typical labels carry locker lessee's name, locker number, date, and description of contents. From there the packages go to freezing shelves in the "sharp freeze room" where they are brought quickly to temperatures ranging from -15 to +5 deg. F., ready for the locker room, which is held at temperatures under +15 deg. F. the year around. (Many new locker rooms will hold 0 deg. F. if required.)

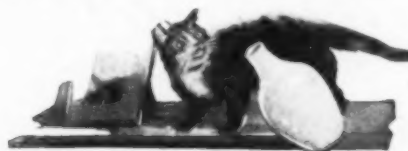
Income of Operators

Before sharp freezing, vegetables undergo a blanching operation to kill bacteria and maintain natural color. Fruits normally have sugar or syrup added as additional preservative. Locker operators count on income from each locker rental of \$10-\$12 annually, plus processing fees which bring gross income to \$20-\$30 annually per locker. Typical processing charges per lb. are: chilling, cutting, wrapping, freezing, and placing meats, fish, or poultry in lockers, 1½¢; freezing and placing vegetables in lockers, 1¢; grinding sausage or hamburger (unseasoned) 2¢; rendering lard, 3¢; curing, pickling, or smoking meats, 3¢. Farmers who have been enjoying locker storage for a number of years report net annual savings on meat and groceries of \$100 or more per family, plus the satisfaction of having access to foodstuffs the peer of those to be found in metropolitan centers.

Optimistic About '38 Sales

Manufacturers of coils and piping and insulation and lockers seem to have been more aware of this rapidly growing business than the general run of compressor and refrigeration machinery manufacturers. Certain manufacturers, however, stand out as glowing exceptions to general apathy. York Ice Machinery Corp. has installed "close to 200 locker plants in several territories" and is planning to widen efforts to include all potential markets. Executives "feel very optimistic about sales for 1938." Baker Ice Machine Co. makes no statement of past, present, or future performance, but it is one of the pioneers and is plugging away. Frick Co. has its feet set so solidly in the field that it goes beyond its normal function

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MERCHANDISE MART OF AN EMPIRE

of supplying refrigerating machinery and furnishes the lockers from its subsidiary, Knickerbocker Stamping Co.

Up to the past year or so, Frigidaire Division of General Motors was practically the only manufacturer of home refrigeration to give locker storage a tumble. With several successful installations as backlogs, they are in the game with both feet and a beautiful line of equipment plus enough sales literature to hop up the most lagging salesman. Nash-Kelvinator Corp. is still in the market-study period. Its distributors have already installed several units, and its executives are thinking of "developing this market aggressively within the next year or two." General Electric's Commercial Refrigeration Section "intends to go after this market in 1938 more aggressively than ever before," one unit of its sales ammunition to be a new booklet, now in preparation, "Cold Storage Locker Plants."

As refrigerating temperatures go lower and lower, problems of insulation become more and more entangled with problems of atmospheric condensation. Both Armstrong Cork Co. and Aluminum Co. of America have done grand jobs in keeping abreast; both have files of practical data available. Lincoln Locker Co., since it is right in the midst of Iowa's most concentrated locker storage activity, has had plenty of oppor-

tunity to see the needs and necessities of the art and has developed patented locker drawers which may be readily dismantled for cleansing and sterilizing.

Though the cities, generally speaking, are letting farmers get most of the benefits of the locker storage way to better eating and living, one smart city-dweller has installed an electrically-driven low-temperature ice cream cabinet in his home. Right now he is get-

ting steaks from it, having purchased a quarter of beef and stored it at a net cost of slightly more than 20¢ per lb., not including current for refrigeration. Meat packers, who feared locker storage competition, are finding two heart-warming facts: meat consumption is going up in farm districts; they are getting new business because few farmers raise all the kinds of meat they like to eat.

Anti-Union Farmers Spread Out

California group extends activities to Washington, Oregon, and Arizona. Union organizers are run out of area, and union towns are boycotted.

THE Associated Farmers of California became the Associated Farmers of the Pacific Coast last Monday.

The aggressive group of 20,000 farmers which, in two years, has become one of the two or three most powerful influences in the Golden State, and which has attracted wide attention as a possible solution to many of the farmers' most pressing problems, met in San Jose, Calif., Nov. 29 and put the final touches on operations in Oregon, Washington, and Arizona. The territory now covered by the As-

sociated Farmers produces more than half of all the fruits and vegetables grown in the United States with annual output valued at close to \$1,000,000,000.

The farmers of California united in 1935 to defend "the right to grow crops, harvest them, and move them to market without interruption." Their progress to a position of power has been watched closely by business (BW—May 22 '37, p. 37). It has been watched also by politicians, both state and local, because the group has become politically strong, especially in county affairs. It has been followed closely by labor leaders because its 20,000 members employ anywhere from 48,000 to 150,000 workers (the low in March and the high in September).

California has been remarkably free from strife on the farms this year and the farmers have been harvesting their crops and moving them to market "without interruption."

Organizers Run Into Trouble

Early in the season, an attempt was made to call a strike of pickers in the apricot orchards of the Sacramento Valley. The well-oiled and smoothly-running machinery of the A.F. was set in motion. Union organizers were run out of the area and the work of harvesting the crop went on. The episode attracted wide attention, and since then there have been no major labor difficulties on the farms of California.

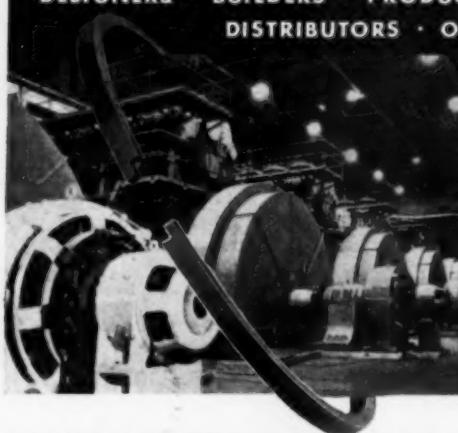
Much of the success of the A.F. is due to the fact that the "right" men are leading the county units, "dirt farmers" who, even before the advent of the A.F., wielded power in their localities. That tends to make the A.F. local organization a natural. Each county unit is incorporated under state law and is independent in its affairs.

It is becoming noticeable that candidates for county and city offices who declare sympathy with the objects of the A.F. are winning elections.

Early this year it appeared that the

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AMERICAN HAMMERED PISTON RINGS ARE USED IN AMERICA'S LARGEST DIESEL POWER PLANT—This photo shows five 7000 B.H.P. Hamilton M.A.N. Diesel Engines at Vernon, Calif. The piston rings must withstand great pressures, maintain uniform contact with the bore, permit proper lubrication of cylinder walls. Through American Hammered Piston Ring's special process, tension is *hammered* in on the inner circumference—wear does not affect it. Graduated spacing (an American Hammered secret) makes tension uniform at every point, eliminates vibration of ring ends at higher speeds, and prevents power leakage.

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farmers' most vulnerable spot was not on the farms but at the ports where their perishables are loaded aboard ship for Eastern and foreign markets. Harry Bridges' longshoremen, sponsoring a budding "agricultural workers' union," appeared to be in a dominant position in respect to agriculture.

The A.F. attacked Bridges from the rear. They let it be known that if any city "permitted the creation of a situation that denied the right to freely market produce," the farmers would boycott "the offending city," refusing to buy from or sell to it.

A.F. Acts against Stockton

A situation arose in Stockton, inland port on the Sacramento River east of San Francisco, which enabled the A.F. to demonstrate what the warning meant. Farmers' trucks, loaded with produce, were being overturned on the highways, and the farmers blamed Bridges' longshoremen, 1,000 of whom were employed at Stockton. City officials seemed powerless to act. Suddenly, members of the A.F. stopped shipping through Stockton. They stopped trading in Stockton. Soon jobs on the water front dropped from 1,000 to 100, and the Bridges forces dwindled. Bank deposits decreased alarmingly. Stores were practically deserted and Stockton found itself in the depths of a depression. City officials turned against Bridges' union, and, as the A.F. later said: "Now the people of Stockton are cooperating with the farmers and prosperity has returned."

The A.F. is taking the lead in promoting construction of adequate housing facilities for farm labor, believing that much labor unrest can be forestalled in this way. It is also sponsoring a statewide program to spread the demand for farm labor over as many months as possible so that workers can go from one harvest to another without idle periods.

Part-Time Farmers

Many operators in '34 did some work in others' fields or in non-farm lines.

Nor all farmers depend upon the fruits of their own farms for income. At the last semi-centennial census, covering the year 1934, fully 2,077,474 out of the nation's 6,632,124 farm operators were able to make a little additional money either by hiring out to neighboring farmers, or, what proved to be more important, by working at pursuits entirely divorced from agriculture. In fact, 71.4% of two-job farmers earned their extra remuneration by jobs in industry, road work, or other non-agricultural occupations.

Between 1929 and 1934, the number

The Long Remembered Meal



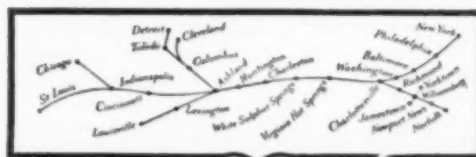
THE JOY of discovery brightens the eyes of the traveler who partakes of his first dinner on one of the famous Tavern Cars of Chesapeake and Ohio. Here is a meal to be remembered for a long time. Here, with graceful service and in surroundings suggestive of the homes of gentlemen of Colonial days, are served the choicest of fresh foods cooked to a turn by master chefs who glory in their art. And the cost is only what you would pay in a moderate-priced restaurant. Experienced travelers know about this famous food, and when they travel between East and West, choose The Railroad with a Heart.

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CLAUDE H. BENNETT, Manager

of farmers who could supplement their own farm income by work off their farms increased 9.2%. Some of this increase was made possible by better roads and more cars. But the drought of 1934 made such supplementation essential for farmers in the Dust Bowl, many of whom found road work a lifesaver.

The special study of "Part-Time Farming in the United States," just released by the Census Bureau, analyzes this group of farmers in great detail. It points out that 202,228,247 days of labor, an average of 97 per operator reporting, were worked off the farm of the operator. Managers averaged 165 days off their farms, full owners 125 days, tenants 74. About 29% of all farmers studied had from 1 to 24 days of off-their-own farm work, another 17% had from 25 to 49 days, while the next largest group, constituting 14% of the total, had 250 days or more. The

last group probably are in a class of persons who are supplementing urban income by rural living, rather than the other way around.

In New England, Mountain, and Pacific Coast states, the proportion of farmers seeking additional income by means of extra jobs was substantially larger than the national average, being 43% in the Mountain states, 41% in New England, and over 36% on the Coast. In the Great Plains regions, the averages fell below the average for the country as a whole.

The bureau made no effort to learn how much income this off-farm work netted, but the National Industrial Conference Board estimates that if no better than common labor rates were applied, this labor was worth about \$650,000,000. If skilled labor rates are applied, the extra income would mean a return of about \$1,000,000,000.

Labor Board Splits on Election

Edwin Smith publicly dissents from majority decision in Allis-Chalmers case. And meanwhile four critical suits are reaching Supreme Court.

AMONG the familiar headlines of 1937 has been "NLRB Assailed." Within the past two months it has been used even more frequently—yet it still has the power to hold the attention of a majority of business men. Reason: a great many persons believe that the National Labor Relations Board has been partisan and biased in its labor decisions, that it is "on the skids," and that the skids might mean thoroughgoing change of NLRB personnel at the least, and amendment or revocation of the Wagner Act at the most.

Last week Pres. William Green of the American Federation of Labor took another crack at NLRB, in his statement against the pending wage-and-hour bill. But the repetition of the Green charges did not impress business over-much; observers feel fairly certain that if the federation makes peace with the Committee for Industrial Organization, its resentment against NLRB will evaporate. Decisions in favor of industrial unions then would be all right with C.I.O.'s present opponents.

Business observers are interested in two other newsbreaks. One is the acceptance by the Supreme Court of another Wagner Act test case; the other is an open split among the members of the labor board on the big Allis-Chalmers decision.

The latter item is not unique, as other NLRB decisions have been made with one of the members abstaining. But Edwin S. Smith last week not only abstained—he publicly dissented from the view of Chairman J. Warren Mad-

den and Donald Wakefield Smith, in the ordering of employee elections at the Allis-Chalmers plant in West Allis, Wis.

As the order provides for one big election among production employees, and three smaller elections among maintenance electricians, powerhouse workers, and draftsmen, Edwin Smith held that craft groups thus might set themselves off from the majority in the plant, "providing full self-determination for the minority but only at the expense of entirely disregarding the interests of the majority."

Elections Before Christmas

The elections must be held prior to Christmas, and the results must be awaited before anyone can decide whether Mr. Smith is right in his warning that a victorious craft group in such a plant could "in its own interest take action which would throw thousands of persons out of work and hamper the attempt of the majority to achieve stable employment." The Allis-Chalmers production workers will vote yes or no on a C.I.O. union; in two of the other elections the employees will choose between C.I.O. and A.F.L.; but a third craft group, the draftsmen and technical engineers, will not join the C.I.O. no matter what happens—they choose between a local independent and an A.F.L. craft local.

Meanwhile, as NLRB members air their views on best methods of collective bargaining, a new group of "cu-

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"test cases are coming up to the Supreme Court. There are four Wagner Act rulings expected, on the Pennsylvania Greyhound, Pacific Greyhound, Newport News Shipbuilding, and Bethlehem Shipbuilding cases. The shipbuilding tests are on the matter of interstate commerce jurisdiction, and thus become more of the "legalistic" type of argument. But the Greyhound cases are something quite different.

Greyhound Case in 1935

Oddly enough, the Greyhound cases came up for discussion in industrial relations circles at the same time a big Greyhound bus strike was getting under way. But the name "Greyhound" already was famous in labor cases—when NLRB opened for business in 1935 its first case concerned Pennsylvania Greyhound and charges that the company had restrained its employees from a free choice of collective bargaining agents. The employers were ordered to withdraw recognition of the "Employees Association" which was ruled to be employer-sponsored, but a United States Circuit Court later declared that no election had been held and that the "Employees Association" had not been properly informed of the board's moves.

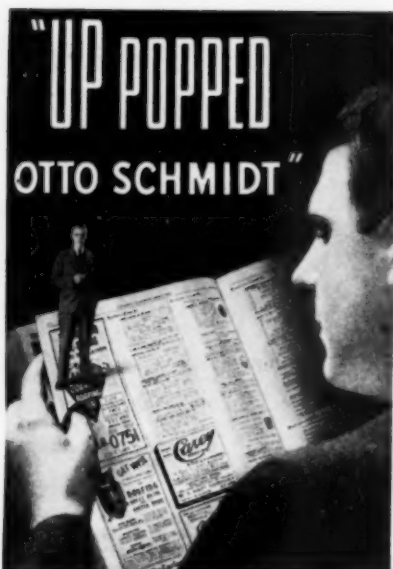
Similarly, in the Pacific Greyhound case, the board ordered the company to cut off its Drivers Association, but on appeal another Circuit Court found that the board had exceeded its authority. These two cases stopped the board cold on an important front—enforcement of its orders against unions which it had held to be company-dominated. And consequently the board will be only too glad to have the Supreme Court's backing—if it gets it. That it feels itself basically right is evident; the present cases were accepted for review upon petition by the government attorneys.

Expect Clarification

In Washington, Administration circles believe that the Greyhound tests will do much to clarify the present doubt over NLRB duties and powers. About one-fourth of all cases brought before the board have to do with alleged employer sponsoring of company unions, and the board has ordered many employers to withdraw recognition of such groups. Some idea of the importance of the case may be gained from the remarks of Solicitor General Stanley Reed:

"Unless the board is permitted to exercise this power—to remove all traces of company interference and domination, the purposes and policies of Sections 8(1) and 8(2) will be frustrated."

And—those sections are right at the heart of the Wagner Act, in its definition of unfair practices.



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"So I turned to my Classified Telephone Book and looked under roofers. There, up popped Otto Schmidt. Once I saw the name, with the address, I recognized it as the one I wanted."



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G.M. and Union Stall on Contract

Neither side wants a revised and detailed agreement, but neither could avoid conferring if pressure were used. Union is loosely organized.

DETROIT (*Business Week Bureau*)—With an armistice declared at Pontiac through the personal efforts of Homer Martin, after all other white-flag bearers had been unsuccessful in their missions, and with industrial warfare at other automotive points still in the guerilla skirmish stage, General Motors and United Automobile Workers had the promise of at least a few days' lull in which to take stock of the situation to date.

Held in abeyance during the Pontiac wildcat epidemic, the question of a revised contract should shortly arise again to plague both sides. At present it virtually seems that neither G.M. nor the union is anxious to take the initiative in starting a project which at the moment has less chance of helping the general situation than a mouse would have in a cat-show. On the other hand, neither the corporation nor U.A.W. leaders could afford to keep from at least conferring if pressure were brought to bear.

Recent events have clearly indicated the soundness of the corporation's past attitude on the contract question. Any contract revision would necessarily have to be minor in character. Such a contract—unless it were to become a com-

plete farce from an operating standpoint—could not go beyond the setting forth of basic policies and the clarification of bargaining procedures for individual units of the corporation to follow. That was done last March and little has arisen since then to indicate the need for extensive revision of the document itself.

Any attempt to materially broaden the scope of the agreement would work out to the disadvantage of both sides, even were it possible to compose a document that could take into account the myriad of geographical, technical, business, and other factors affecting labor relations at the different units of the corporation.

Central Control Weakened

Today the U.A.W., even within the corporation alone, is not an integrated whole, but rather an amalgamation of unions at individual corporation units. Day by day, the variations between union interests at, say, Pontiac and Chevrolet, or Cadillac and Frigidaire, have become more distinct, tending to create a desire for greater self-sufficiency of the locals. Simultaneously the central control system has been weakened. Out of these developments



Columbia Experiments With a New "Rifle" Microphone

In filming an experimental television drama, Columbia Broadcasting System has made use of a new type of "rifle" microphone. The "rifle" is a bundle of aluminum tubes, .01 in. in diameter, the longest six feet and the others stepped down about one inch per tube until the smallest is three feet long. Main advantage of the new microphone is directivity: sounds from the sides are largely nullified.

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have arisen the political bickerings, the wildcat strikes, the greater opportunity for radicalism within the U.A.W.

Homer Martin's misfortune is to have inherited one of John L. Lewis' big mistakes: the attempt to predicate automotive unionization on past experience alone. Antiquated unionism just did not fit this industry, but by the time union leaders came to that realization, it was too late to go back and start over. If it were not for that, there might be no G.M. and U.A.W. general contract.

Both Sides Need Contract

With the labor situation within the corporation what it is today, however, some form of contract is essential, even if it is only used for window dressing purposes. The U.A.W. needs it as a fulcrum to pry recalcitrant locals and sub-officials back into line.

To the U.A.W. it is a peg on which to hang its mantle of authority over its portion of the corporation's labor. Similarly, the corporation needs it as a basis for dealing with the U.A.W. It has to be in a position to point to something to which it is living up, as its only protection against attacks internally or in public by radical agitators. Through the existence of this contract it is enabled, for instance, to point out that the grievances behind the Pontiac-Fisher wildcat were really objections to seniority and lay-off procedures originally demanded by and granted to the U.A.W. itself.

At the moment, last March's contract is of course still in effect. Assurances against wildcat strikes given in writing to the corporation last September—cancelled by Martin for public consumption a few weeks ago—are presumably in effect also, since Martin, in the first place, has never notified the corporation of withdrawal of guarantees, and, in the second place, has retracted the withdrawal in statements to the press subsequent to the Pontiac flare-up. Furthermore, neither side has ever given the required 60 days' notice of contract termination.

Question of Authority

The biggest hitch to negotiations for a new U.A.W. face-saving contract lies in the fact that authority to negotiate for the union would have to be given U.A.W. officials before rather than after the negotiations, if the contract is to have any chance of securing U.A.W. approval. Knudsen has already stated that the corporation will not enter into negotiations unless U.A.W. bargainners are provided with such authority.

Having once let agitators within the union force him into the position of demanding contract revision, having obtained such a contract, and having had it meet the fate of Wilson's 14 points

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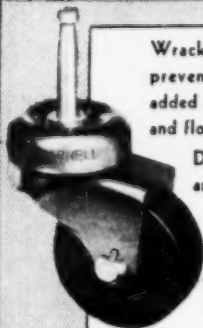
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at Versailles, Martin would probably prefer not to have to stick his neck out again. A repetition might result in decapitation of present union heads and assumption of control by the most opportunist and radical of the left-wingers.

To obtain complete authorization for negotiating a contract Martin needs greater control over recalcitrant sub-leaders. His move in establishing a dictatorship for the Pontiac local was an evident step in that direction and might serve as an example to keep leaders at other danger points in line, in the event his hand is forced once more.

November Car Output

Production is close to recent estimate. Ford offers new models after month's delay.

DETROIT (Business Week Bureau)—November automobile production, when the complete count is in, will be close to the 375,000 mark estimated a few weeks ago. But December is a big question-mark. There seems little likelihood of any pick-up in dealer demand, and inventories are high enough. As to total production, much depends on Ford, which finally announced its new offerings officially this week—a month late. Production tie-ups, due to die-trouble that arose through last minute style changes, were partly to blame, so that the best Ford could do was to exhibit hand-built models during automobile show weeks.

Used Car Data

Just where unnamed Lansing, Michigan, "federal officials" obtained their figures as to conditions in the automotive industry to form the basis of a quoted report to the President would be rather interesting to know. The report, according to published statements last Monday, "blamed" the drop in automobile sales on top-heavy used car stocks. The figure quoted was 1,500,000 used cars in dealers' hands, as against 600,000 to 800,000 normally. Actually there are today between 700,000 and 800,000 used cars, half the quoted number, in the hands of dealers.

Not that used car stocks are low; they are amply high in view of the fact that the public just isn't buying automobiles today as it did a while ago.

Another figure in the report is on new car stocks, quoted at 116,000. If the report referred to new car stocks in dealers' hands, the total should have been nearer 400,000. If stocks at factories were meant, between 15 and 20 billion square feet of storage space would be required for that purpose

alone. At that, however, several factories are carrying fairly heavy inventories on lots in outlying districts awaiting releases of orders by dealers.

Forgotten generally in discussions of the whys and wherefores of the drop in automobile sales is the fact that several million more cars are registered now than in 1929, indicating that the latent demand for total cars has been more than made up.

Truck Sales Fall Off

Reflecting business conditions more than passenger cars sales do, truck sales fell off a little earlier. October registrations of new trucks were under the same month for 1936, whereas passenger car sales were still above the 1936 levels. November probably saw a further drop in truck purchases, while a slight stimulation of sales can be expected in December from the introduction of new models.

Ford, of course, has been fairly well out of the truck market too, but should be back this month with the most extensive line it has ever offered, thanks to the new one-tonner. Then there are such developments as Hudson's new commercial line, Dodge's new three ton cab-over-engine model, Reo's new line just about getting out into the field, etc.

Chevrolet is taking advantage of the sales hesitation to hold supplementary training schools for its 10,000 dealers all over the United States. Packard and Graham are still pushing for all the cars they can roll off the assembly line. Others are settling down to a four day week which should be maintained well into the new year.

Druggists Lick Weco

Offering a cut-price deal, manufacturer is forced to drop it in New York State.

It cost Weco Products Co. \$4,000 to square itself with the New York State druggists, but now all is love and kisses again between the druggists and the manufacturer of Dr. West's toothbrushes—one of the few original allies of the little independent druggists in their fight for price maintenance laws.

Time was when there was nothing the druggists could do that was too good for Dr. West. But in September, Weco fell from grace. Along with several other big drug manufacturers, including McKesson & Robbins, the Lambert Co., Zonite Products Corp., and Gillette Safety Razor Co., Weco apparently found that price stabilization was killing the sales stimulation which once stemmed from the cut-price operations of the big distributors.

So Weco did some price-cutting for itself by joining two of its products

with two of McKesson & Robbins' in country-wide combination deals which would not be affected by the fixed-price contracts on the individual products. The first deal involved a 50¢ Dr. West toothbrush and a 50¢ can of McKesson's Calox toothpowder, to sell together for 59¢. A month later a second deal was announced: a 40¢ tube of Dr. West's toothpaste and a 50¢ bottle of McKesson's Rx 59 Anti-Septic Solution for 59¢.

New York druggists took to the war-path at once, denouncing all deals as a palpable evasion of the "fair trade" laws, though the National Association of Retail Druggists had approved deals in general principle.

Second Deal Abandoned

By the time the druggists' New York State Fair Trade Committee got Weco on the carpet, it was too late to do anything about the first deal; 5,000,000 Dr. West-Calox units had already moved into the wholesalers' hands. But the committee did exact from Weco a promise that no more deals would be sold in the state and that the minimum price of 59¢ would be strictly enforced. Even more, it forced complete abandonment of the second deal. According to the agreement, both Dr. West's toothpaste and the Rx 59 Solution would be heavily advertised and promoted, but display material would be altered (at an approximate cost of \$4,000) to delete all mention of the 59¢ combination price, since both products would be sold at their individual minimum "fair trade" prices—33¢ for

Dr. West's paste and 39¢ for the Rx 59 Solution; total, 72¢. Further, all stocks already delivered to the wholesalers would be sold to retailers at the combination price of 40¢ instead of the normal price of 44.5¢ (that is, 22¢ on the toothpaste and 22.5¢ on the anti-septic).

Thus, on the "sale" goods, the New York druggists come out with a mark-

up of 80% (a 32-cent markup on a 40-cent purchase) instead of the normal profit on the same items of 62%. And most importantly, the fixed-price system is preserved inviolate, for no other manufacturer is likely to risk the ire of the druggists by pushing a combination deal when he realizes how much it costs to get back in their good graces again.

Will Japan Hog China's Trade?

Business in the United States and other countries considers situation created by Japanese demand for all rights and powers that the Chinese had.

UNDER the sweltering China sun last July, 1,546 vessels steamed in from the sea through the turgid brown waters of the Yangtze and to the docks of Shanghai, where they deposited the rice and tobacco and oil on which the Chinese live.

In August, with Japan's grim gunboats riding at anchor along the Bund, and with troops fighting along the shore, only 155 vessels dared to enter the port.

In normal times, three out of five shiploads of goods bound in or out of China clear through Shanghai. A hundred river craft arrive daily with food, steel, and manufactures from the upper Yangtze, and as many more depart with flour, kerosene, cotton cloth, and automobiles for the interior.

The Chinese government, in ordinary

times, received \$1 out of every \$3 of the national revenue from import and export duties, and 48¢ of every customs dollar last year was collected in Shanghai.

These are the facts which bankers, business men, and foreign government officials pondered seriously this week as they speculated on the outcome of Japan's demand that Tokyo assume in the conquered area around Shanghai the authority until now exercised by the Chinese.

Business views the situation from three angles: (1) the problem of foreign loans to China which are serviced importantly from customs revenues; (2) the possibility that Japan will gain a stranglehold on the rich China trade which is largely handled through Shanghai; and (3) the problem of trading with what may be left of China after the Japanese campaign is wiped up and a peace deal negotiated with China.

China's Foreign Loans

China has nearly \$1,000,000,000 of foreign loan obligations. About 37% of these are secured by customs revenue, another 24% by the income from the salt tax, and almost the same amount by revenues from the railroads, most of which were built with foreign capital until the last few years.

More than half of these loans were made by the British, acting alone, and by French and Belgian bankers, acting together. Japan's share was only slightly smaller than that of each of these two groups.

The United States has only a small share in these loans to China. In 1911 it participated to the extent of nearly \$8,000,000 in an international railroad loan to China, which was guaranteed by the railroad revenues, the salt tax, and—after 1941—by a portion of the customs income.

Between 1931 and 1933, the United States provided a rather desperate China with nearly \$17,000,000 of credit to buy American wheat and cotton. More than \$14,000,000 is outstanding, se-



Underwood & Underwood

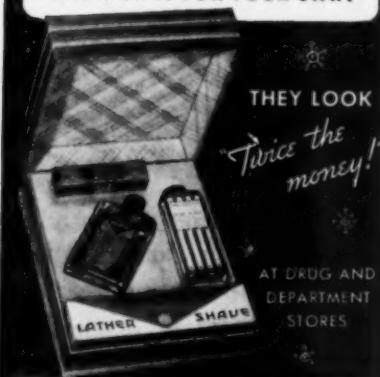
It's a Big Job—Making Concrete for Grand Coulee

Now that the excavation has been completed, work on Grand Coulee Dam is largely a manufacturing process—with concrete the product. Shown above is the giant washing and screening plant, at the site on the Columbia River, which turns out some seven trainloads of carefully selected sand and gravel each day. Eight thousand men are engaged in this job of manufacturing concrete on the largest scale ever attempted for a single construction job, and so far they have poured some four million yards of concrete into the base of the dam.

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TAX REPORT

REASONS WHY the federal tax system now stands in the way of recovery appears as Business Week's Ninth Report to executives in the December 11 issue. Watch for it.

See

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cured by the Chinese treasury, and secondarily by 5% of the flood relief customs surtax.

Much more important to the United States, as to most other foreign nations, is the stake in the industry and trade of China, most of which is directed from Shanghai. Though other foreign nations nominally control the French and International settlements, these tiny communities are surrounded now by a vast Japanese-controlled territory, and no shipping can reach their docks or warehouses unless Japan is willing. Japan is thus in a position to freeze out all foreign business interests if it chooses, by simply isolating the foreign-controlled communities and taking for itself the rich Yangtze trade.

Squeezed out of Manchuria

There is no evidence yet that Japan intends to go to these extremes, but the experience of the foreign interests in Manchuria, and the warning now that Japan intends to control all ports, telegraphs, and communications in Shanghai and to administer the customs is not reassuring. Practically all foreign interests have been squeezed out of Manchuria except as they are able to sell certain kinds of equipment to the Japanese who now control most of the business. It was reliably reported from Tientsin recently that Japan is preparing to slash all the old Chinese tariffs in all North China to the levels established some time ago in the autonomous state first created around Peking (whose name was changed to Peiping, or "Northern Peace," a few years ago, and has now been changed back to Peking, or "Northern Capital," by the Japanese). If this happens in the Shanghai area, it would demoralize the lucrative trade of Britain, Germany, Italy, France, and the United States, for they can hardly compete with inexpensive Japanese goods, which constitute most of the direct competition with Chinese goods.

What Will Be Left of China?

What will be left of China, and how free it will be to trade with the rest of the world, remains a question. The fear of those who know the situation thoroughly is that the country will break up into small units, each of whose overlords will be powerless to do other than capitulate to Japan. Without Shanghai and the North, and possibly with Japanese control of other ports along the coast all the way to Hong-kong, China will become virtually a landlocked nation, from which the federal government will be able to connect only modest taxes. Smuggling will be easy and will demoralize all efforts to build up a strong government. Without important aid from abroad, resistance to Japan will be insignificant.

Under these conditions, American—

and other foreign—business with China will dwindle as it has in Manchukuo. Japan will buy foreign supplies of machinery and some other manufactured products to develop a producers' goods industry so long as Japan can find the capital to pay for these products. But whatever trade this brings to foreigners in the immediate future will be the kind which does not repeat for long.

Canadian Ski Lodges

Well-to-do people in East build private camps.

OTTAWA (Business Week Bureau)—The increasing popularity of skiing is creating some unexpected new business this winter. Residents of Eastern cities in Canada are going in for private skiing lodges. Contracts are being awarded for construction of several in the mountains and hill country near Montreal and Ottawa. They are being designed for winter living and will be occupied over weekends and for longer periods during the winter sports season. Scandinavian and Austrian designs are being followed in some cases. Cost of the really swank lodges starts at about \$5,000, but a good many more modest private ski camps are also being built.

Graham Towers, governor of the Bank of Canada, is to have a ski lodge in the Swedish manner in the Gatineau Hills country near Ottawa.

Skiing has been popular in Canada for many years. It is estimated now that one out of every seven Ottawa residents spends his winter weekends on skis.

On U.S.-Canada Radio

Canadian Broadcasting Corp. signs 5 American programs.

OTTAWA (Business Week Bureau)—The Canadian Broadcasting Corp. has just signed five United States sponsored, programs for its coast-to-coast network. They are: Chase & Sanborn's "Big Show"; the Lux Radio Theatre; Tender Leaf Tea Co.'s "One Man's Family"; the Fleischmann-sponsored Rudy Vallee's Varieties; and the Kraft Cheese Co.'s "Music Hall."

CBC regulations limit advertising content of programs to 10% of program time, and prohibit the mention of prices. If the 10% limit is exceeded, the advertising talk will be cut before it goes on the Canadian network. The programs will be rebroadcast from the United States networks.

Signing of these programs follows a recent decision of CBC to encourage entry of American commercial programs into Canada. In addition to a gain in revenue, it saves CBC the cost of providing sustaining programs.

Business Abroad

Anglo-French talks are most important international discussions in many years. Washington has part in project through reciprocal trade program. Canada supports revised trade plans.

THE ANGLO-FRENCH TALKS in London are probably the most significant international consultation in many years. Results cannot yet be measured, but it is certain that London and Paris are again determined to act in the closest cooperation in dealing with common problems in Europe, Africa, and the Far East. Both will make important concessions to Berlin, if this will make possible some form of cooperation with Germany. Italy will be dealt with later.

Germany presumably informed Lord Halifax on his recent visit to the Reich, that in the colonial field it wanted all of its former African colonies returned and, as if to make up for the loss of its Pacific islands to the Japanese and of the German-speaking Tyrol (which was never German, but Austrian), also the Belgian Congo and Portuguese Angola.

Both Britain and France have talked frankly in recent months of returning some of the African colonies to Germany, but only if Berlin will make certain concessions, which presumably include a promise to avoid war by preserving the *status quo* in Central Europe, and some agreement to disarm, or at least take measures to stop the present ruinous and dangerous armaments race.

Three moves, as a result of the London talks, are contemplated by the Democratic front, to counteract Fascist moves: (1) France will renew and strengthen its ties with its allies in Central Europe, including Poland, Rumania, Yugoslavia, and Czechoslovakia; (2) Britain will go ahead with the negotiation of the Anglo-American trade pact, and both will use every means possible to extend the benefits of wider international trade; and (3) further efforts will be made by the two countries to strike a satisfactory bargain with Berlin.

France's Foreign Minister is already on a tour of the capitals of southeastern Europe, and is attempting to iron out trade and financial problems which have recently threatened these old alliances.

In Washington, as well as London, it is rumored that reciprocal world trade is due for another important boost in the next half year. As Britain's pacts with her Dominions come up for renewal, each Dominion will be encouraged to make new terms into which the United States and other important trading nations can fit. In Washington, rumors are abroad that negotiations will very shortly be announced for more liberal new trade

pacts with a half dozen important countries.

In the United States, the farmer is bound to benefit importantly from any new trade deal with Britain. At the same time, the new agreement, when it is made, is bound to strengthen the stability of business in the entire sterling-dollar area throughout the world. If, along with Canada, discus-



European

SCHACHT'S SUCCESSOR—Last week the constant clash of policies between Dr. Hjalmar Schacht and the Nazi party culminated in the appointment of Walther Funk (above) to succeed Schacht as German Minister of Economics. This week German business proved apathetic to the new appointment. Schacht has been considered a friend of business, but Funk is a conservative and an acceptable alternative. Moreover, German executives have already accepted the fact that the man to be reckoned with is General Goering—that any Minister is going to be subordinated in the realization of Goering's Four-Year Plan.

sions can be opened soon with Australia, South Africa, New Zealand, India, and the Argentine, world trade may yet be the means of pulling business out of its present recession, and the Fascist nations may ultimately find themselves compelled to climb on the bandwagon.

Cheaper Air Mail

Air mail rates to Latin America have been reduced an average of 32%, effective Dec. 1. Old and new rates per half ounce are listed:

		Cents per Half Ounce	
		New	Old
Guatemala	}	12	15
Honduras, British			
Honduras, Republic			
El Salvador			
Nicaragua	}	15	20
Costa Rica			
Canal Zone			
Panama			
Leeward Islands			
Guadeloupe			
Martinique			
Windward Islands			
Barbados	}	25	30
Trinidad			
Venezuela		25	30
Dutch West Indies—			
Curacao, Aruba and	}	25	30
Bonaire			
Saba, St. Eustatius and	}	10	20
St. Martin			
Peru		30	40
Bolivia		35	40
Chile		40	50
Brazil		40	50
Argentina	}	40	55
Uruguay			
Paraguay			

The rates per half ounce on air mail to Mexico, Cuba, Bahamas, Jamaica, Haiti, Dominican Republic, Puerto Rico and Virgin Islands, remain ten cents.

Negotiations are in progress with the Colombian Postal Administration looking to mutual reductions in rates to and from that country.

Canada

Business pessimism affects new lines. British Columbia backs trade pact revision in spite of stake in existing deal.

OTTAWA—The current business recession is reflected in the Dominion now in the contraction of banking operations. Canadian banks now report the first contraction in commercial loans for the year. Although the drop is only \$1,000,000 for a month, it is contrary to the seasonal trend. A year ago, there was a gain of \$20,000,000 during the same period.

Bank clearings showed another sharp drop of 16% last week, Toronto and Montreal showing greatest change. Demand deposits fell \$34,000,000.

The carloadings index slipped to 71.06, from 72.26 the previous week. Canadian business is watching for signs of upturn in the United States, with the conviction that conditions here would quickly respond.

Outstanding current development is the preliminary public verdict

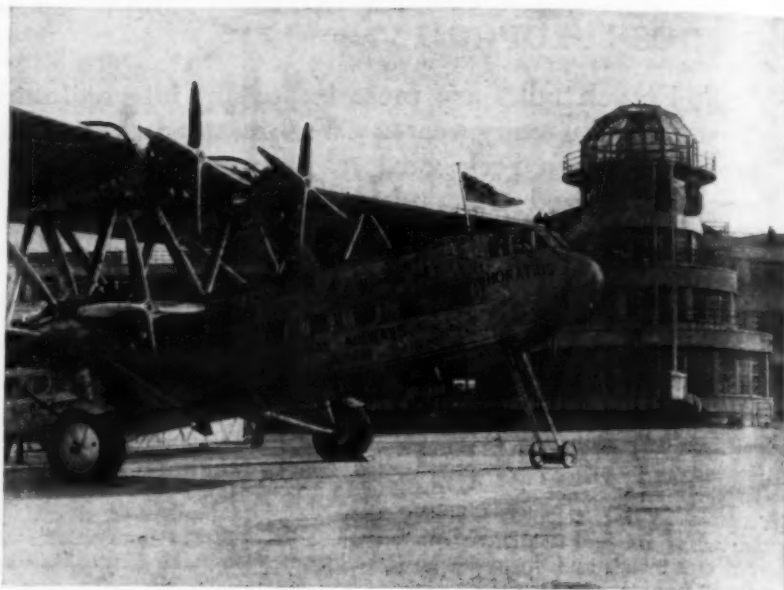
in favor of the proposed Anglo-American trade treaty and Canada's contribution to it. It came this week in a victory for the Ottawa government in the Victoria, B. C., by-election for the House of Commons. With Conservative Leader Bennett denouncing the proposed treaty on the ground that it would destroy Canada's advantages under the Ottawa pact and members of the government asking for endorsement of their course in favoring it, Victoria turned Liberal by a large plurality for the first time in 30 years. This was in face of British Columbia's special interest in British trade through preferences on its lumber and fruits. The riding is urban and without direct concern for trade considerations. The world peace factor in the treaty project undoubtedly influenced the electors.

Prime Minister Mackenzie King accepts the Victoria verdict as expressing the views of Canada. "The days of economic nationalism and economic imperialism are past; Canada believes in an expansion of international trade as a more certain path to prosperity and peace," he said as he heard the result just before leaving Ottawa to share the Florida sunshine with President Roosevelt.

Ottawa is skeptical about King's assertion that he does not expect to meet Roosevelt in Florida or discuss public affairs in Washington. Ever since Secretary Hull's trip to Ottawa in October, it has been thought likely that King would visit the United States before the end of the year. In his hands alone is the decision as to the concessions Canada will make from the Ottawa pact to facilitate the Anglo-American treaty. But he will be definitely expected to secure to Canada compensations from the United States. Before going south he had a secret conference with Premier Hepburn of Ontario which was related to a special meeting of the federal cabinet.

Newsprint price-setting for the last half of 1938 pleases the industry. As in recent price changes, International Paper took the lead, announcing the \$50 price would be extended for the whole year, and Price Brothers, Consolidated Paper, and Abitibi quickly concurred. Previous suggestions in some quarters for a higher price were abandoned in view of the business recession. The rate is expected to be accepted favorably by customers.

Unemployment insurance plans announced a few weeks ago by the Ottawa government have been rejected by three provincial governments who refuse to move in the dark in the proposed transfer of their constitutional powers to the dominion. New Brunswick, Quebec, and Alberta insist on knowing the terms of the scheme before consenting to a constitutional amendment. The other six provinces



New Le Bourget Airport is World's Finest

Recently opened to service was the new Le Bourget airport near Paris, said to be the world's most elaborately equipped. The new station, which is some 700 feet long, is built on the style of a liner, with decks and rails facing the flying field. In the center is a conning tower of glass (shown in picture above) from which movements of aircraft are controlled by radio.

have consented unconditionally. Prime Minister King has said the terms could not be disclosed till the bill was given to parliament, but parliament could not act on the bill without the constitutional change. Ottawa is seeking a way out of the impasse.

Two large plant extensions are under way. Colgate-Palmolive-Peet is spending \$250,000 on plant and equipment at Toronto, and Ralston-Purina \$200,000 on a cereal and stock food factory at Montreal.

Canadian textiles are feeling the slump with demand slackened and inventories accumulating. Recent price reductions, limited to about 15%, have not greatly assisted the situation, and production curtailment is contemplated. United States competition is blamed.

Rail equipment orders are likely to be postponed until the business outlook clears.

Germany

Business leaders readily accept Funk as Schacht's successor. Slump of world prices affects German competitive position.

BERLIN (Cable)—Business is unmoved by the long-anticipated changeover in the Ministry of Economics, where Dr. Schacht is known to have been inactive for many months. Though he apparently has consented to remain as President of the Reichsbank even after his term expires next March, fundamental differences of opinion with the domi-

nant party members are bound to bring another clash before long.

Funk, the new minister, is accepted calmly by business leaders as the best possible alternative. He is an economic conservative, and it is expected that in the revamping of the department, bound to come with subordination of all activities to the Four-Year Plan, he will be influenced more by the demands of the army than of left wing party elements.

Business regards the slump in world prices with mixed feelings. While enabling Germany to buy its imported raw materials more cheaply, at the same time it widens the gap between the world and the isolated German price levels. On the other hand, the easing of demand for raw materials because of the slackening of business demand has alleviated the strain to meet the industrial requirements for steel and leather.

The price level has been the subject of much argument since the publication of an article recently by Joseph Wagner, Reich Price Commissioner, in which he strongly advocates the lowering of domestic prices through strict price fixing measures in order to maintain industry's ability to compete abroad.

France

Financial conditions improve, but basic industrial recovery has made no progress.

PARIS (Wireless)—Financial conditions in France continue to improve. Tax collections are well above estimates.

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Car available of 8,996 in 1936.

Chile Yields

Another trade barrier was lowered when Chile, on Dec. 1, removed the quota on American passenger car imports, and reduced the special exchange rate on funds needed to purchase American automobiles, radios and accessories. The peso-dollar exchange rate is lowered from 35 to 25 to the dollar.

At the same time, to prevent a sudden flooding of the market and to avoid too great a strain on foreign exchange, the Chilean duty on automobiles is increased, but the net result is an important gain for the United States exporter.

In the automotive industry, it is expected that the move will result in a spectacular gain in shipments to Chile where there is a large pentup demand for cars.

Automotive exports to Argentina have practically doubled this year.

Gold is being repatriated. The franc is stronger. The moderate Chautemps government has won the support of the recently reconvened parliament on contentious questions which the left wing of the Popular Front once threatened to contest.

But through financial conditions are undoubtedly improving, basic economic problems have not been solved. Industry is at best holding its own. For political reasons, the government is still in no position to make any fundamental adjustment of the 40-hour work week, the real reason behind the refusal of business to make new commitments in any volume.

The best authorities in Paris are, for this reason, inclined to believe that the pickup in the French situation is, for the time being, limited to financial conditions, and therefore has need of further consolidation before it is on a solid basis.

For this reason, all the Bonnet achievements, significant as they are, can be wiped out in a few days of panic. There is no reason now to believe that a panic will develop; in fact, most authorities expect Parliament before long to waken to the necessity to revise the social legislation which has proved to be too drastic for French business to absorb at one time. Should such revision come, business would undoubtedly respond promptly. The present favorable financial situation in France manifestly provides a good basis for this anticipated development.

The modest recession of the last few weeks, a reaction to the general world situation, continues. Wholesale prices last week dropped to 595 from 604.

Car loadings for the last week available dropped to 302,380, a decline of 8.99% over the corresponding week in 1936.

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ORIENT: Japan Air Transport . . . China National Aviation Corporation . . . K. N. I. L. M. in Netherlands Indies

"GO DOUGLAS" WHEREVER



YOU TRAVEL

Foreign Trade Record

(000 omitted)

	October		10 Months	
	1937	1936	1937	1936
Exports	\$333,136	\$264,949	\$2,712,426	\$1,999,814
Imports	224,391	212,692	2,651,983	1,981,031
Balance	\$108,745	\$52,257	\$60,443	\$18,783

Where U. S. Trade Changes Are Greatest

(000 omitted)

	10 Months		
	1937	1936	% Change
Exports			
Edible animal products	\$49,459	\$49,641	— 0.4
Inedible animal products	46,385	41,449	+ 12
Vegetable food products	162,531	125,190	+ 30
Inedible vegetable products	163,441	159,497	+ 2
Textile manufactures	367,424	337,836	+ 9
Wood and paper	114,500	86,413	+ 33
Non-metallic minerals	416,202	303,218	+ 37
Metals and manufactures	416,979	189,669	+ 120
Machinery and vehicles	724,228	499,706	+ 45
Chemical products	117,203	97,775	+ 20
Miscellaneous	91,301	77,989	+ 17
Imports			
Edible animal products	99,277	74,753	+ 33
Inedible animal products	200,059	160,879	+ 24
Vegetable food products	652,330	528,577	+ 23
Inedible vegetable products	408,040	275,431	+ 48
Textile manufactures	421,554	312,733	+ 35
Wood and paper	256,773	203,549	+ 26
Non-metallic minerals	132,439	101,926	+ 30
Metals and manufactures	236,585	169,398	+ 40
Machinery and vehicles	20,485	15,537	+ 32
Chemical products	86,521	65,393	+ 32
Miscellaneous	82,450	75,269	+ 10

Great Britain

Automobile industry and luxury trades hit by slump in buying.

LONDON (Cable)—British business is becoming increasingly cautious. While the average retailer is expecting a record Christmas trade, the luxury shops in Bond Street are less optimistic. Figures just released show that as far back as October, their trade was off. November records will be even less favorable. Only marked recovery on the stock market will change the trend, and after the Christmas rush, the slack will be felt by the lower priced shops as well.

The new trade pact with the United States—which London is confidently expecting to be negotiated next year—is in part responsible, according to certain automobile interests, for the falling off in new orders for cars. The business public as a whole, however, is confident that import duties on automobiles and trucks will not be lowered. The automotive industry has become too important a factor in the British industrial picture to allow it to slump, particularly now when Britain fears a serious business recession as sections of the huge rearmament program are completed.

Business generally attributes declin-

ing automobile orders to the wobbly stock market—as in the case of trade in the luxury shops.

Only a piece of major good news is likely to change the trend here, which is slowly but steadily less favorable. While Britain places great faith in the benefits of the Anglo-American trade pact, when it comes, more immediate benefit can come from some settlement with Berlin which may grow out of the talks with the French here last week.

Soviet Union

Moscow will boost wages in all industry next year, but biggest increases will go to workers in war industries and on railroads.

MOSCOW (Cable)—Workers throughout all branches of Soviet industry will receive an average 10% wage raise next year, according to the industrial plan for 1938, approved this week. This general wage raise is in addition to the recent increases of from 20% to 40% awarded to a million postal and telegraph workers, and the wage increases allowed a million textile employees.

It is noteworthy that this universal wage increase will be balanced by a projected average 13% rise in output per worker. The boosted labor productivity, however, cannot be termed

a speedup in the accepted sense because (1) the Russians themselves admit that the individual Soviet worker's output is still considerably less than in advanced industrial countries, and (2) increased mechanization will account for a large part of the planned rise. Claimed by Moscow to be first in Europe and second only to the United States in total industrial output since 1936, Russia plans a further 15% rise next year.

In the face of numerous recent appeals of Soviet leaders for heightened attention for the defense industries, it is certain that a considerable portion of the projected rise will be achieved through increased production in the war, and allied, industries. The steady emphasis on the heavy and war industries is evidenced in the fact that, while the production of consumers' goods has mounted more than 400% since 1913, next year's increase over this year is estimated at only 6%.

An analysis of next year's wage schedule reveals that workers in the heavy and war industries and on the railroads are the highest paid, workers in light industry the poorest paid.

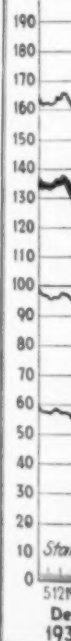
Latin America

Rail deficits increase agitation for higher rates. Air services are expanded. New government is conservative.

BUENOS AIRES—In spite of the present general prosperity and high level of industrial activity, there has been no great improvement in the financial position of the railroads. In fact, according to statistics published recently, there is an actual drop in net receipts from last year. In the first two months of the 1937-1938 fiscal year (August and September), the privately owned railroads carried more freight and more passengers and showed increased receipts from both sources, but this was offset by increased expenditures, so that net receipts were 810,000 pesos, or 5%, less than a year ago. This will increase the existing agitation for an increase in freight rates.

A new daily airplane service between Buenos Aires and Montevideo will be started in January by the Compania Aeronautica Uruguaya, with 28-passenger Junker planes that will make the trip in 45 minutes. The boat service requires 12 hours.

The new government will be inaugurated on Feb. 20. While the recent troubles in Brazil and Paraguay have caused some concern abroad about the future of the Argentine government, there need be no doubt about the peaceful continuance of the present policies which are distinctly pro-business and conservative.



Money and the Markets

Financial circles take mild encouragement from President's housing program and his new budget-balancing effort. Negotiations for peace between New Deal and utilities are also helpful.

BUSINESS and the financial markets this week pulled themselves uncertainly to their feet after the beating they have taken recently, shook themselves gingerly, and lent an attentive ear to Washington to see if they were hearing correctly. What they heard, on the surface at least, was mildly encouraging.

The legislative program designed to pull business out of its recession was making its appearance in Congress this week. The President's message on housing was read, and Wall Street gave it mild approval. It was realized that actual benefits still are fairly distant, but there was a certain stimulus to confidence. For example, the President's demand that the building trades reconsider their wage exactions struck financial circles as a marked concession to the conservatives.

The message to Congress on road-building, with its recommendation of sharply curtailed expenditures, came the next day, and the reaction was mixed. On the one hand, it represented a cut in spending which could not be interpreted as favorable to business. Yet it represented a further effort toward the budget balancing so dear to the hearts of the economic fundamentalists.

There was little in the business situa-

Big Grain Co-op Quits

The Farmers National Grain Corp., largest enterprise ever launched in this country for the cooperative marketing of grains, decided this week to dissolve. Under the plan, cooperative grain marketing is turned back to the regional co-ops which handled it before the Hoover Farm Board in July, 1929, organized the Farmers National.

The big co-op only survived those eight years through frequent transfusions of public funds. And those eight years were fraught with conflict. A special report to Congress in 1935 on the Farm Board assailed Farmers National's early financial operations. In 1933 the Chicago Board of Trade fought to oust the co-op from the board's clearing house, but lost when Farmers National appealed to the federal Grain Futures Administration. Farmers National's most recent misadventure, according to rumor, was being caught short in the September corn squeeze.

tion to influence securities traders one way or the other. Utilities derived some help from perceptible progress made by executives of the industry and the New Dealers toward burying the

hatchet. There was talk of some fairly large investment buying in the utilities as well as in other sections of the market.

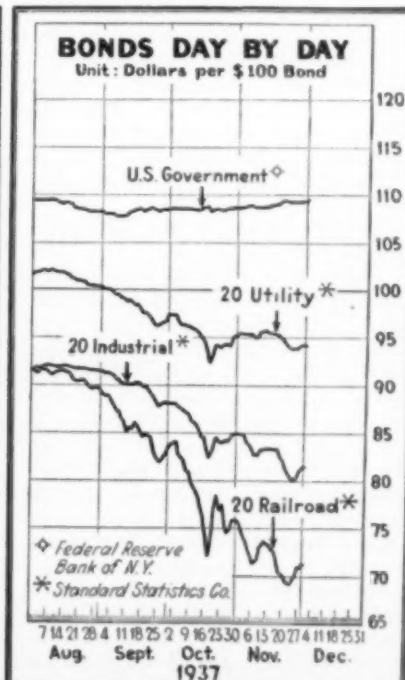
All in all, however, prices seemed to swing pretty aimlessly—up one day and down the next. Some encouragement was derived from the fact that stocks dipped only mildly on Monday, instead of flopping as so often has been the case recently when steel operations were announced.

Slash Rubber Quotas

International cartel limits shipments. American manufacturers fear shortage.

THE international rubber cartel this week slashed deeply the quotas restricting shipments of raw rubber to market, and in so doing dashed the hopes of American manufacturers who remembered all too keenly last spring's threatened pinch in supplies. The domestic industry was not displeased with the action insofar as it tends to stabilize rubber prices, but it entertained undisguised fears that an upturn in general business conditions here might bring about another spurt in speculation and another relative shortage of the commodity.

The rubber cartel several months ago took note of the limited spot supplies of rubber in New York by raising the cartel quotas to 90% (compared to 65% in the latter part of 1936). The boost did not come, however, until rubber had sold well above 20¢ a lb. in New York, and there was acute distress among manufacturers before





MORE REGULATION—Washington has toyed for a long time with the idea of federal licenses for companies doing an interstate business. Now the idea takes concrete form—in a bill jointly sponsored in the Senate by Idaho's trust-busting William E. Borah (right) and Wyoming's Joseph C. O'Mahoney (left). The two Western Senators had first drawn up separate bills envisioning closer federal control over "big business"; then they pooled their ideas in this single bill.

the price reached its 1937 high of 27¢ a lb.

The lesson presented by that spurt in price, domestic observers believe, is that cartel action has to be taken before shortage becomes imminent rather than after. There is a long lag before rubber can reach New York from Malaya, and that's when the pinch comes.

Now, of course, the situation has completely turned around. The 90% quota, after shipments thereunder began to flow in volume, proved too high for an industry which, in the meantime, had curtailed manufacturing operations. Prices plopped from 27¢ to 14¢ before the international committee met in London on Wednesday of this week and agreed on a quota cut to 70%.

The 70% quota means 70% of a base figure of 1,295,250 tons. Thus the year's consumption in 1938 is fixed at a tentative 907,000 tons, or approximately 75,500 tons a month. The United States could use more than two-thirds of that quota all by itself at the rate it was manufacturing early this year—consuming from 50,000 to 55,000 tons a month. More recently, however, consumption in this country has fallen below 40,000 tons a month.

Wool's Troubles—Some members of the wool trade in New England, and many producers in the West, are inclined to blame much of the price decline in the product to the sinister influence of trading in wool futures on the New York Wool Tops Exchange (a

satellite of the New York Cotton Exchange). Few in the wool tops market are inclined to agree with that view, but they know that trading in futures has always had a lot of opponents and that it will shortly be carried before the Senate committee investigating wool marketing.

While there is no obvious answer as to the need for trading in wool futures, it is apparent to most in the trade that outside factors have played a big part in the drop in prices to around 85¢ a lb. The largest disturbance in the domestic market has been the cutthroat competition and sharply curtailed operations of mills and wholesalers. This has found reflection clear down to the retail price of men's clothing, and this week saw American Woolen Co. discontinue payment of dividend on account of arrearages on its preferred stock (accumulations still amount to \$62.25 a share).

The difficulties which beset American Woolen are fairly typical of those of the whole trade in this country. American Woolen's loom activity hit a high of 130% in June, and now is down to about 40%. Prices were cut fairly deeply by mills in September, but uncontrolled competition has dropped them an additional 20% to 25% since. Worst of all, the old practice of making price cuts retroactive on all unfilled orders has sprung up again after it was thought that the practice had been finally eradicated.

All this means that the mills are stuck with high cost inventory in a bad market, no matter how hard they have tried

to work off that inventory. It means, moreover, that many will have to take heavy inventory losses this year—that they have been plunged into a deep depression within five months of the time when they were enjoying a very substantial prosperity.

Some critics of the wool tops market may have overlooked the fact that conditions in the Far East haven't been helpful. Earlier this year, with mills in the United States booming, the Boston spot market was able to absorb the fairly light domestic marketings of wool, plus Australian offerings, with a minimum of difficulty. However, with the outbreak of the war in China, Japan practically withdrew from the Australian wool auctions. That blow, coming in conjunction with the slump in the wool trade in this country, put a crimp in world markets.

Dividends Decline—The undistributed profits tax hasn't forced out quite as many opulent dividends this year as last. The recession in business is one major factor. Other causes are inherent in the tax itself: (1) Many corporations are waiting to see if they won't have big inventory losses as tax offsets; (2) some companies have decided to save money against a rainy day, even if they have to pay a penalty in the form of higher taxes, and (3) still others are just a mite hopeful that tax revision may be made retroactive.

The combination of factors is such

Corn for Sale

This year's American corn crop, a bumper 2,650,000,000 bu., went begging—until, suddenly, it became apparent that present low prices were attracting foreign buyers. Europe, for the first time since 1930, manifested a real interest.

Last year's 1,529,327,000 bu. crop was substantially short of normal domestic requirements. Prices shot up to an ultimate high above \$1.40 a bu. in April; the unusual phenomenon of corn selling higher than wheat in Chicago was witnessed. At the same time, imports were attracted from the Argentine, and the United States, as has generally been the case since the 1934 drought, was a substantial net importer up until a very few weeks ago.

Meantime prices have been sliding from their spring highs to recent lows around 50¢, despite surplus storage loans from the government of 45¢ to 50¢ a bu. On Tuesday the trades was surprised to learn that Europe had taken a reported 1,000,000 bu. of corn. Liverpool had been able to buy 5¢ a bu. cheaper in Chicago than in Buenos Aires. It wasn't much of a quantity, but it caused the first flurry in the market since the September squeeze.

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that dividend payments in November, for the first time in 1937, show a substantial drop by comparison with the corresponding month a year ago. In the *New York Times* compilation, total dividends declared last month are \$713,805,827, against \$883,202,332 in November, 1936. However, this does not prevent dividends declared in the 11 months from being way ahead of a year ago—\$4,096,591,590 against \$3,647,801,143.

Conservatism in regard to dividend declarations is perhaps most marked in the merchandising field. Chain and department stores, packing and food companies, and the mail order concerns authorized much smaller dividends in November than they declared a year ago. However, they were anything but alone—motor car manufacturers, railroads, steel companies, and the petroleum corporations all pulled payments down sharply.

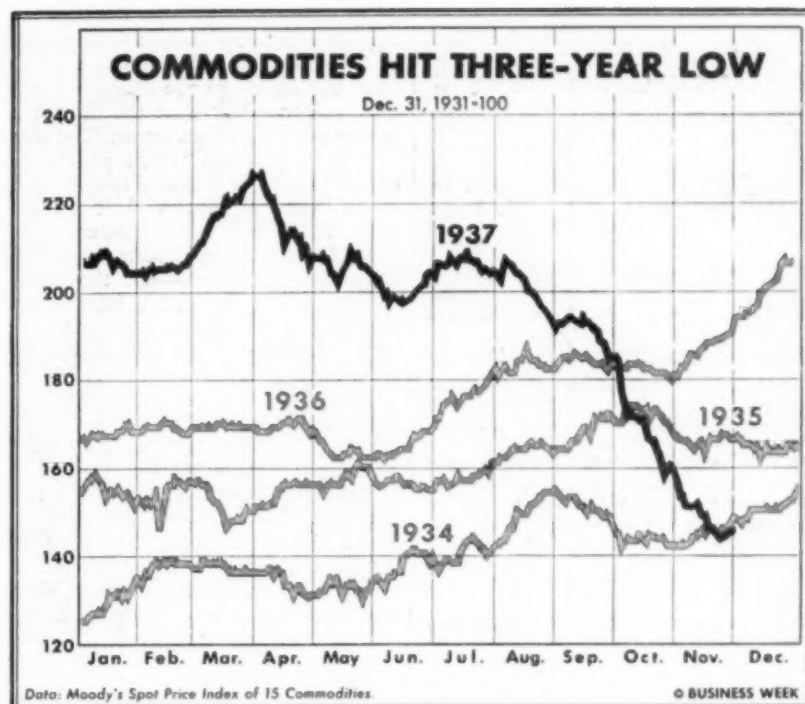
One of the features of the dividend story is the fact that only 208 companies in November paid extra dividends, whereas 328 took such action a year ago; only 68 corporations saw their way clear to increase their regular dividend rates, against 143 which voted higher regular payments last year.

Make Believe—International Business Machines Corp. is the case in point. But it might be many another corporation. Directors of that vast enterprise have just declared that the dividend, ordinarily payable in January, will be paid on Dec. 23. Object: to get the disbursement in this year to enable I.B.M. to claim a dividends-paid credit for undistributed earnings tax purposes. Total disbursements for 1937 will come to \$6.

Last year I.B.M. did the same thing. But in anticipating the January payment, the company brought total dividends to \$7.50. That is, the company paid the regular quarterlies of \$1.50, and then pulled forward the January payment. Thus, the company in 1936, because of its anticipation, obtained a larger dividends-paid credit than this year. Indeed, this year, just to get the benefit of the regular \$6, the company was forced to anticipate its January, 1938, payment.

Sensibly, the company made no attempt to bring disbursements up to the 1936 total. If that were done, it would have been necessary to pull forward the April, 1938, disbursement into December; and then, in 1939, if it were to keep up to its schedule, the July payment would be coming in December. And eventually, the company, by that system would pay all its 1941 dividends and one dividend for 1942 in December, 1940. What a fix that would leave the statisticians in!

Cotton Information—For a long time there has been a fairly widespread



demand for more information about the trading in many commodity futures markets. With the formation of the Commodity Exchange Administration, as successor to the old Grain Futures Administration, it became certain that such statistics would soon be forthcoming.

CEA is now attacking that job. Its first step is in connection with trading in cotton. It began, this week, to make public daily figures on trading in cotton on both the New York and New Orleans exchanges. It is compiling not only the total volume of trading in cotton futures on both markets, but the transactions in each delivery month as well. It also is revealing the amount of open interest at the end of each day, and the change in the open interest from day to day.

This is information which many members of the exchanges, as well as the trade and large marketers, have been demanding for years. There is little, if any, opposition to the move. The only hindrance heretofore was that nobody ever got around to compiling the information.

Dr. J. W. T. Duvel, head of CEA, explained that the federal agency intended to do as good a job on cotton trading statistics as the Grain Futures board had done on grain. That is, his bureau intends to build the service from scratch to a pretty complete thing, for there was little or nothing available on the grain trade 15 years ago, while now the information is ample for most purposes.

The value of the cotton exchanges, as markets in which mills carry out ex-

tensive hedging operations, was acknowledged by Dr. Duvel. He indicated, however, that there obviously should be more information available on the markets which set the price at which one of the nation's largest and most valuable crops is marketed.

Behind all this delving into statistics, there probably is more than the simple desire to make certain facts known to the public each day. The CEA (along with many small members of the cotton exchanges) has never been satisfied that so much trading should be concentrated in a handful of big houses. Dr. Duvel and the CEA doubtless have in mind further restriction on the open interest which any one person or any one house will be allowed to maintain in a single delivery month henceforth. In other words, further regulations on cotton trading are in the wind.

All Calm in Cocoa—A most unusual situation in futures contracts for December delivery of cocoa seems to be working itself out quietly. First there had been some slight uneasiness over the possibility of a short squeeze; later the talk had been of heavy liquidation of December futures.

Several more or less unrelated factors played a part in the situation. In the first place, Hershey Chocolate, the largest manufacturer, is supposed to have bought from 3,000 to 4,000 contracts for December delivery on the New York Cocoa Exchange. Each contract calls for future delivery of 30,000 lb. or upwards of 13 long tons of the beans.

In early fall the price went down

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(BW—Oct 27 '37, p28). For the time being there were no worries on the part of the sellers, because they had a profit from the decline of the market. However, at about that time the European buying cartel went into action. The idea was that all buyers would pool their orders instead of bidding against each other. They based their bids on the New York market. They intended to force Gold Coast producers to sell in more orderly fashion—but the prices they were bidding didn't interest the Africans, and movement of cocoa to both London and New York fell off sharply.

With Gold Coast shipments small, it began to look as if Hershey could put the shorts to rout, despite fairly large warehouse supplies of cocoa in New York. These fears persisted until a few days ago. Two developments then reduced the uneasiness. The drop in Brazilian exchange made it cheaper to bring the Bahia beans to New York, and a fair volume of shipments relieved the situation somewhat. The second factor was that Hershey apparently hadn't any intention of making it hot for the shorts.

As soon as tender notices in the December contract began to be posted, the big chocolate company began to swap its futures for these tenders of actuals. This had the effect of clearing up the long interest without much influence on prices. At the same time, both the longs and the shorts saved a few cents per contract by the operation.

Hershey, nevertheless, still had upwards of 2,000 long contracts, the trade believed. Throwing them on the market could have wrecked prices which were already low. But Hershey didn't show any disposition to do that either. Within the last few days the chocolate company has met additional tenders,

consequently reducing its long position still further. As things stand now, there are scattered shorts to match Hershey's remaining long interest. The trade believes these shorts can fulfill their contracts with beans which they can readily procure or already have on hand.

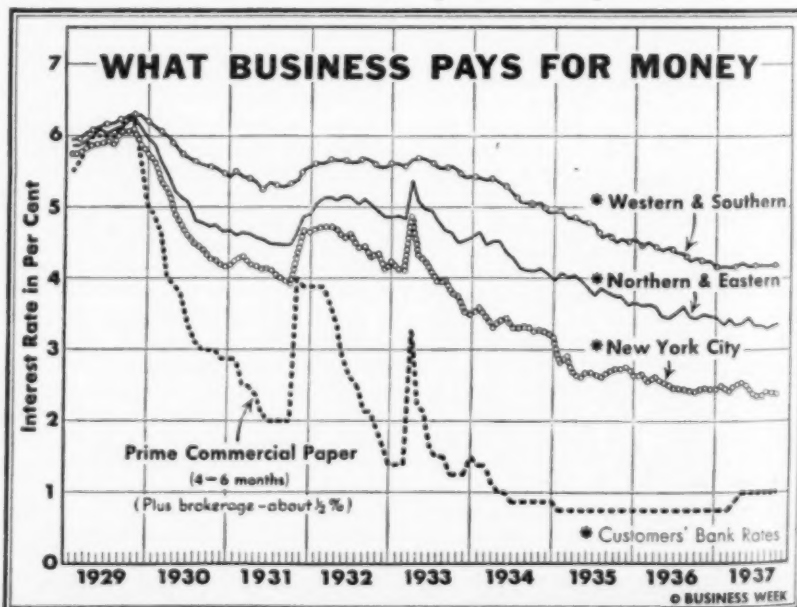
Hence the disappearance of worries on both sides of the December contract.

Hope for Hides—The hide market in the last few days has received the first real help in months. Endicott-Johnson Corp., the first shoe company to curtail operations (BW—Aug 21 '37, p53), reentered the spot market as a buyer.

Endicott-Johnson's action came after a sharp break had just about cut hide prices in half. The buying by the shoe company gave the market reason to hope (1) that hide prices had declined far enough so that manufacturers would once more become fairly liberal buyers, and (2) that there had been enough improvement in the market for shoes so that purchases of hides would go into manufacture and not into inventory.

The result was a spurt in hide prices of approximately 1¢ a lb. in the futures market. It was the first advance since the deadlock between the packers and the tanners was broken early this month. That deadlock had represented, on the one hand, the packers' belief that hide supplies were still short and that no concession in prices was justified, and, on the other, the tanners' conviction that supplies were large as long as the shoe companies were out of the market and that prices were far too high.

As soon as the packers decided to sell their weekly intake of hides, the market went to pieces. The December future sold substantially below 8¢ a lb. before the present rally brought the quotation back up to about 9¢.



Editorially Speaking—

Sign on the marquee of a movie theater just before Thanksgiving:

TONIGHT TEN TURKIES
AND TWO BIG FEATURES

We find that we were a little too unobvious in one of our remarks on this page last week. No, when the fire chief of the piecemeal town of Humacao, Puerto Rico, was arrested, it wasn't because he had been turning in alarms so that he could increase his pay. Others turned in the alarms. But the fire chief is accused of indirectly instigating them. The charge against him is arson.

FASHIONS in names come and go. At 216 Roseland Avenue, Essex Fells, N. J., lives a woman who was 101 years old on Nov. 29. Across the street, at No. 223, lives another woman who will be 101 on Dec. 17. They're unrelated to each other, they're both named Phebe (without an "o"), and each was named after an aunt. The name Phebe or Phoebe isn't particularly in style now, but a century or more ago the phoebe must have been considered an elegant bird, and mothers proudly named their daughters after it. Did any of them name their daughters after the phoebe by its other name, pewee?

PROBABLY no bonus will be given to the inspired printer who caused an American newspaper to say in a Paris dispatch that "General Gouraud at sunset rekindled the blame at the Tomb of the Unknown Soldier."

WHAT in the world you should want with a buffalo," writes E. H. Hausser, cashier of the East Scranton State Bank, East Scranton, Pa., "is beyond me and probably none of my business. Every man to his own taste." Did Mr. Hausser read about the recent show of the American Mouse Fanciers Club? Our taste runs to large objects. If other men can be mouse fanciers, we can be a buffalo fancier. But right now we wish the Biological Survey had sent us a mouse instead of a buffalo for our \$60.

Mr. HAUSSE suggests that if we could get our "buffalo to stand on a nickel, he would become quite tractable." Unfortunately we can't squeeze our buffalo as tight as our bankers can squeeze a nickel. Our buffalo occupies quite a chunk of space in the southeast corner of the *Business Week* reception room. So far we can't say that he's proved a lovable mascot. His grunts irritate the receptionist, and then there are a lot of curiosity-seekers who come in to take a look at him, and they get in her hair. Besides, there's the delicate fact that the pet isn't housebroken yet. Our staff is

taking turns walking the buffalo. But this is another story and a long one and a heartbreaking one, and we haven't space to tell it today. Frankly, we bought this buffalo on impulse, and now we aren't quite sure we were altogether bright.

AFTER all, how can there be war if nobody wants war? After all, as Thomas W. Lamont observed recently, "the greatest safeguard of all against general war is that today nobody wants war. Remember that: nobody wants war." And after all that, here comes Vittorio Mussolini, Benito's bambino, exclaiming that "war is the quintessence of beauty," and that bombing Ethiopians from the air is "magnificent sport," and telling how "one group of horsemen gave me the impression of a budding rose as the bombs fell in their midst," and how he bombed a hut, and "the third time I hit it and saw it begin to burn. Ethiopians leaped out and tried to escape." Ha ha, all this was "exceptionally good fun. . . . This was swell." (Nobody wants war.)

NEVER the kind of man to refuse a dare, we reacted promptly to a newspaper ad that named "six superlative" furs, "soon to take their places in this season's brilliant social life, worn by foremost Personalities. Which is to be yours?" And these were the six: "The coat of crown Russian sable 25,000. The coat of finest natural mink 10,000. The natural marten evening coat 3,500. The full-sleeve Russian ermine coat 2,500. The long silver fox evening coat 2,000. The natural blue fox evening coat 1,500."

It was that "foremost Personalities" crack that got us. We don't take anybody's dust. Up from the breakfast table we jumped, and, saddling the nearest mare, galloped off to the store, where we marched right in and planked down the dough and walked out with the coat of crown Russian sable 25,000 around our lovely frame. And now we're all ready for the season's brilliant social life, having proved ourself the furmost Personality of them all.

ONLY 21 days to Christmas; and this reminds us, most indirectly, that the Gentleman on the Financial Desk says his wife visited a factory that makes self-liquidating dolls. She found that the work is pretty well specialized: one man paints the eyebrows, another paints the cheeks, and there's one who sticks a nipple in the doll's mouth and squirts water in and awaits results. He said disgustedly to the visitor: "If anybody had ever told me I'd be doing this for my livelihood!"

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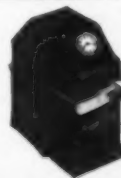
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DECEMBER 4, 1937

A Fresh Start in Housing

President Roosevelt deserves the fullest moral support of business in his proposed conferences "with representatives of industry, labor, and finance, with a view to giving housing construction a fresh start" by getting reductions in wage-rates, material prices, and financing costs. Everybody can see the logic of "sustained large-scale production at lower costs to the consumer." The result would be a larger annual wage for labor and a larger annual income for industry. For all hands this will be nice work if they can get it.

But everybody in the conferences will say to the President, "Won't you tell me how?" He will answer that the how is up to them, that the government is doing its part in the new legislation which he has proposed, and that the building industry should be able to cooperate in reducing prices and wage-rates. This is a valiant answer, but whether it is practical remains to be seen. In any case, the industry should tackle the problem with all possible vigor and earnestness, making every cooperative reduction that its pocketbook can stand.

"The fact that housing costs rose sharply—far too sharply—between September of 1936 and March of 1937," says the President, "was primarily responsible for the downturn in housing and thus in recovery generally this year." Housing costs probably don't deserve quite so much blame. They did rise too high, as *Business Week* editorially said early last April; but even high prices do not stop a building boom when people are confident about general business. "The downturn in housing and thus in recovery" is primarily due to the lack of confidence.

The President suggests several measures to improve the housing industry. He would cut interest and service charges on loans insured by the Federal Housing Administration. On homes costing \$6,000 or less, he would raise the mortgage insurance from 80 to 90% of the value, thus letting the buyer start out with a 10% down payment. Many builders approve this, arguing that a 10% payment will not be too small if the rest of the housing program succeeds, and that the chance of success is worth the risk of putting the government behind a 90% mortgage. But it seems to us that if the program

works, it will work on a 20% down-payment basis. The decisive factor is not prices, wages, or the necessity of putting up \$1,200 instead of \$600 on a \$6,000 home; the decisive factor is whether millions of small fellows are confident enough to risk their hard-earned nest-eggs in real estate.

The President also recommends measures to facilitate "the construction and financing, under the economies of a blanket mortgage, of groups of houses." These measures would also apply to apartment houses with moderate rentals. Moreover, he would relax certain present limitations on mortgage insurance, would renew the former insurance of repair and modernization loans, and, most important, would establish a mortgage discount banking system. This idea is basically sound, provided we bear in mind that a mortgage is not a liquid security, and that somebody will have to take a risk—either the owner or the mortgage association or the government. For real estate is a speculative business; putting up a house and wondering whether the neighborhood will bloom or go to seed is always risky.

But if any sort of governmental pump-priming is worth while, this sort is. If the government is to intervene in any business, the housing business is the best it can choose. By that reckoning the President's program deserves support.

What About Those Price-Fixed Prices?

This is the year when the advocates of resale-price maintenance laws have won a glittering series of legislative and judicial victories. They have triumphed in the state capitals and at Washington, and their California and Illinois laws have been sustained by the United States Supreme Court. If laws are all that is needed to give the

retailers plenty of business at a fixed price, then the retailers' heaven is here. But what are the facts?

In some lines the resale prices have not cracked yet, but they will generally tend to do so, unless prices are reduced. In other lines, eager retailers have already shown a willingness to trample on the fixed price. The last issue of *Business Week* contained a significant account of what has happened in the radio field, and, to some extent, in liquor and even in drugs. Many retailers are flatly violating a prohibition that cramps their sales.

Special Privileges For the Farmer

The pending proposals in Washington for farm legislation range from the exorbitant to the excruciating. Both the Senate and the House seem inclined to exceed the President's program by a couple of hundred million dollars, without levying special taxes to provide the additional money. And the inflationists in the House grandly outdo everybody else by proposing that the prices received by the farmers for 15 products be fixed at dizzy heights, wheat getting \$1.50 a bushel, field corn \$1, cotton 20¢ a pound, milk 12¢ a quart, and so on.

In comparison, the President's suggestion of a \$500,000,000 farm program, as authorized in the present law, seems sweetly moderate. But even that is far too much. Agriculture is no longer in distress, if you consider its fortunes in relation to those of other industries. The gross farm income this year will probably be about 10 billion dollars—the best since 1929, when it was over 11.9 billions. The farmers' net income is likely to be 6.6 billions, whereas it was less than 6.3 billions in 1929. And since the cost of the goods purchased by farmers is less than it was in 1929, the farmer is even better off than the above figures indicate on their face.

In these circumstances it is irrational to continue treating the farmer as if he were the orphan of the economic family. There is no justification for digging into the general tax funds in order to subsidize the farmer with \$700,000,000 a year, or even a paltry \$500,000,000.

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